



Ministry of Foreign Affairs

Verification of CBI's intervention logic: Insights from the PRIME Toolbox

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April 2018



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Executive summary

CBI aims to contribute to sustainable economic development in developing countries by increasing exports from these countries. The Centre for the Promotion of Imports from developing countries (CBI) contributes to sustainable economic development in developing countries by increasing exports from these countries. CBI pursues this aim by providing advice, counselling and market entry support to SMEs and BSOs in order to facilitate exports and sector growth. This is expected to improve business practices, and that, in turn, could increase exports and improve business performance (e.g. higher profits and more employment). Each of these outcomes is expected to contribute to sustainable and inclusive economic growth.

The PRIME Partnership between CBI, PUM, Wageningen Economic Research (WEcR) and the Erasmus School of Economics monitors the impact of PUM and CBI's support to SMEs. The PRIME partnership was established in 2013 to develop and implement a methodology to monitor and evaluate the real-time impact of private-sector development support by CBI and PUM. PRIME stands for Pioneering Real-time Impact Monitoring and Evaluation and is a research partnership between Wageningen Economic Research and the Erasmus School of Economics, supported by PUM and CBI. The PRIME partnership assesses the impact of PUM and CBI support to SMEs.

PRIME has developed a data collection system and an innovative mixed methods design to validate and verify the assumptions behind CBI's theory of change. The PRIME partnership has developed a data collection system that makes it possible to verify the assumptions behind CBI's theory of change and assist CBI in monitoring progress on its objectives. PRIME uses an innovative parallel mixed method design that integrates the quantitative analysis of administrative data and online surveys with the qualitative analysis of interviews held with CBI beneficiaries, experts and

stakeholders in six countries: Peru, Bolivia, Uganda, Bangladesh, Myanmar and Indonesia. Our evaluation focuses on the impact of CBI's support to small and medium enterprise (SMEs) knowledge (immediate outcomes), practices (intermediate outcomes) and performance (ultimate outcomes), and the role of business support organisations (BSOs), both as receivers of support and enablers of SMEs' performance (through improved service delivery).

The CBI intervention logic is largely consistent with the literature. The key assumption underlying CBI's approach is that its activities contribute to sustainable and inclusive economic growth by improving the performance of the firms receiving support, especially by increasing exports to the European Union. This impact is created both by direct firm-level support and indirectly through the assistance of business service organisations, which in turn support local SMEs. The academic literature largely commends the positive impact that business coaching and training are having on the firms' business practices. The literature also confirms that interventions promoting exports generally benefit the firms' economic performance.

CBI has generated positive changes in terms of SMEs' knowledge and business practices. The results show that CBI has contributed to one or more changes in knowledge and business practices for 96% of the businesses they support. There is a positive correlation between CBI's perceived contribution to business knowledge and the uptake of new business practices. The areas in which CBI has made the most substantial contribution are quality requirements and marketing techniques, which reflects the content of CBI's programmes. CBI's programmes are most successful in least-developed and low-income countries and contribute most to the practices of small businesses in the processed food, fruits and tourism sectors.

CBI's contribution to better practices has helped to improve SMEs' performance.

The support CBI provides to improve business practices has translated into better business performance. CBI's average contribution to practices has resulted in an increase of exports to EU countries of about 18 percentage points. Moreover, the number of firms supported by CBI reporting an increase in profit is 13 per cent higher for those benefitting from CBI's contribution to better practices than for those who did not receive any support from CBI. CBI firms with high export growth also hire new employees, confirming CBI's theory of change. CBI also contributes to SMEs' performance by backing business support organisations (BSOs).

It is difficult to assess whether CBI has helped improve the services provided by BSOs, but firms supported by CBI seem to make more active use of the advice from BSOs.

As of 2017, 66% of the firms supported by CBI work with BSOs and 58% of them actively use the advice from BSOs. After completing a CBI programme, SMEs are more likely to work with sector associations (38%) and more likely to actively use the advice given by sector associations (38%) than during the programme's inception period. Case study information confirms the importance of BSO services for SMEs. In several cases, it is difficult to assess CBI's contributory role to improve the services provided by BSOs. Because CBI was rarely the main supporter of these BSOs, it is difficult to fully attribute changes to CBI specifically.

Results in the field vary significantly depending on the type of firm and the conditions, suggesting that there are important enablers of CBI's effectiveness.

Some conditions seem to be more enabling for larger impacts, and some types of firm seem better suited to the support modalities used by CBI. The cases studies suggest that the contribution is higher in contexts where the supported firms have lower baseline exports. Another important enabling condition for the effectiveness of CBI's support is the ability of the BSO to improve the business environment. Another key enabler indicated by the firms receiving support was access to finance in order to change business practices. Spillover effects are highly case-specific and most clearly visible in agricultural processing firms. There are unlikely to be any spillover effects from the business coaching to firms not receiving support.

All firms state that they benefit from in-country training and coaching, but larger firms mainly benefit from participating in international trade fairs. Business coaching, using the audit tool and requiring a written export management plan, are widely appreciated as effective ways of improving business management. The firms appreciated training for and participating in international trade fairs. However, many smaller firms struggle to participate because they lack the financial means. At the same time, all firms consider preparing well for these fairs and establishing a continued presence at them to be a necessary condition for the effectiveness of this type of support.

CBI's support is generally additional to existing support. Generally, the level of expertise offered by CBI experts is unavailable in the local market. Supplying companies (e.g. fashion brands in Myanmar) can provide support in some areas. However, most of the information about markets and EU requirements needs permanent updating of expertise, which is one of CBI's stronger points as an organisation that operates worldwide. The support provided by the BSOs is generally of a different order. The PRIME research indicates that most firms consider the quality of CBI's support to be higher than that of the services provided by the BSOs. This confirms the value of CBI's direct support to SMEs and also indicates the continued need to increase the BSOs' capacity.

The PRIME results confirm CBI's theory of change: CBI's contribution to knowledge transfer and better practices have increased exports, profits and employment.

Summarising the results of this study, we can conclude that CBI positively influenced knowledge transfer and better business practices among firms supported by CBI. Moreover, CBI's support has had a positive effect on firms' exports and profits, and export growth in CBI companies has also caused employment to grow. The results do show that the presence and magnitude of CBI's contribution is highly firm- and context-specific. CBI has also had a positive impact on BSOs' service delivery. Moreover, CBI's support complements existing support: the level of expertise offered by CBI experts is considered to be unavailable in the local market.

Chapter 1: Evaluating CBI's impact through PRIME

PRIME responds to the need for credible impact estimates of private-sector support. The PRIME partnership was established in 2013 to develop and implement a methodology to monitor and evaluate the real-time impact of private-sector development support by PUM and CBI. There were three reasons for establishing the PRIME partnership. First, the necessity of reporting the impact of private-sector support on common impact indicators (jobs, revenues, scale). Second, the difficulty of going beyond before-after measurements and the use of comparison groups. Third, a desire for meaningful impact evaluation for accountability and learning.

PRIME stands for Pioneering Real-time Impact Monitoring and Evaluation. PRIME stands for Pioneering Real-time Impact Monitoring and Evaluation and is a research partnership between Wageningen Economic Research and the Erasmus School of Economics, supported by PUM (Netherlands senior experts) and CBI (Centre for the Promotion of Imports from developing countries). The PRIME partnership assesses the impact of PUM and CBI's support to SMEs.

PRIME collected data to verify CBI's theory of change. The PRIME partnership developed a data collection system that makes it possible to verify the assumptions behind CBI's theory of change and assists CBI in monitoring progress on its objectives. Our evaluation focuses on the impact of support to small and medium enterprises (SMEs), knowledge (immediate outcomes), practices (intermediate outcomes) and performance (ultimate outcomes), and the role of business support organisations (BSOs), both as receivers of support and enablers of SMEs' performance (through improved service delivery).

CBI's theory of change reflects the literature on SME support. CBI helps firms to connect with potential importers in Europe. CBI's activities improve firms' knowledge and practices related to product development, quality assurance, marketing and exporting. In doing so, these activities also improve businesses' economic performance. This approach is supported in the literature. A key study on the effects of export promotion agencies (EPAs)¹ found that the presence of EPAs is associated with increased exports. Furthermore, the authors found that these benefits are more substantial for countries with an initially limited capacity to promote export. A recent study² found that access to foreign markets promotes a firm's profits, in part because export relations imply the transfer of knowledge, which boosts the firm's learning and innovation. A growing body of evidence^{3,4,5,6,7} shows that providing business training and consultancy to small and medium-sized enterprises can promote better business practices and performance. Overall, the literature – which is discussed more extensively in [PRIME policy brief 2](#) – provides support for CBI's rationale to enhance firms' exports and productivity both by linking them to foreign markets and by providing direct knowledge transfer through various business training activities.

The structure of this report. This report verifies whether these assumptions about effectiveness actually hold in practice. Chapter 2 describes the theory of change and CBI's activities in more detail. Chapter 3 presents the methods used to verify the theory of change. Chapter 4 reports on the findings related to CBI's efforts to improve SMEs' knowledge and practices. Chapter 5 shows how the changes in knowledge and practices have helped to improve SMEs' performance. Chapter 6 describes how CBI's support of BSOs helps SMEs' to perform better. After describing the barriers to and enablers of the effectiveness in Chapter 7, this report presents its conclusions and recommendations for CBI in Chapter 8.

Chapter 2: CBI's activities and supported SMEs

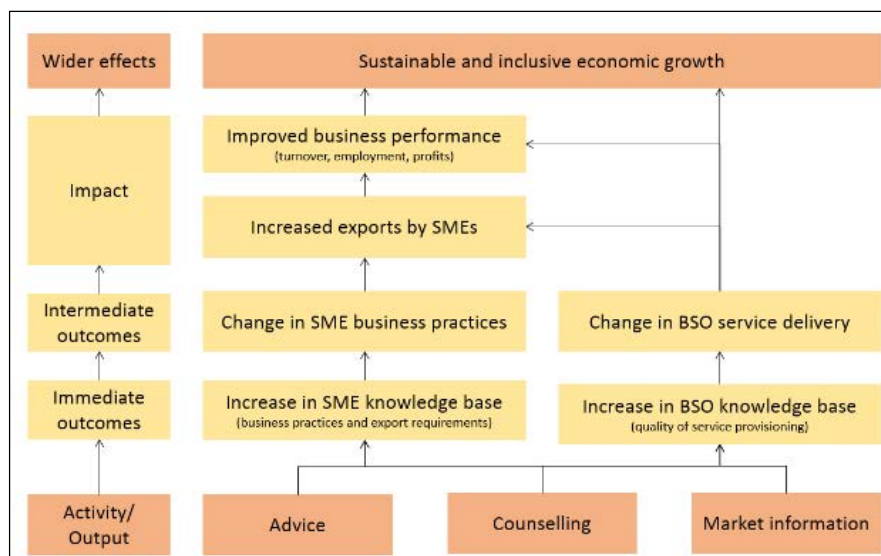
The aims of CBI, the Centre for the Promotion of Imports from developing countries.

The Centre for the Promotion of Imports from developing countries (CBI) contributes to sustainable economic development in developing countries by increasing exports from these countries. CBI achieves this by providing advice, counselling and market information to SMEs and BSOs in order to facilitate exports and sector growth. This is expected to improve business practices, and that, in turn, should increase exports and improve business performance (e.g. higher profits and more employment). Each of these outcomes is expected to contribute to sustainable and inclusive economic growth.

CBI supports export promotion by providing advice, counselling and market information.

CBI's support is embedded in country and sector-specific projects. The support activities include (but are not limited to) training in preparing marketing plans; intercultural communication; market information on trends and standards in European countries; coaching on product development for European markets; and training on intercultural communication. Furthermore, CBI organises networking events and encourages firms to participate in trade fairs and establish trade networks with European importers. The theory of change shows that CBI expects these activities to increase knowledge and change business practices. Changes in business practices, in turn, are expected to increase exports and improve business performance (see Figure 2.1).

Figure 2.1 CBI's theory of change

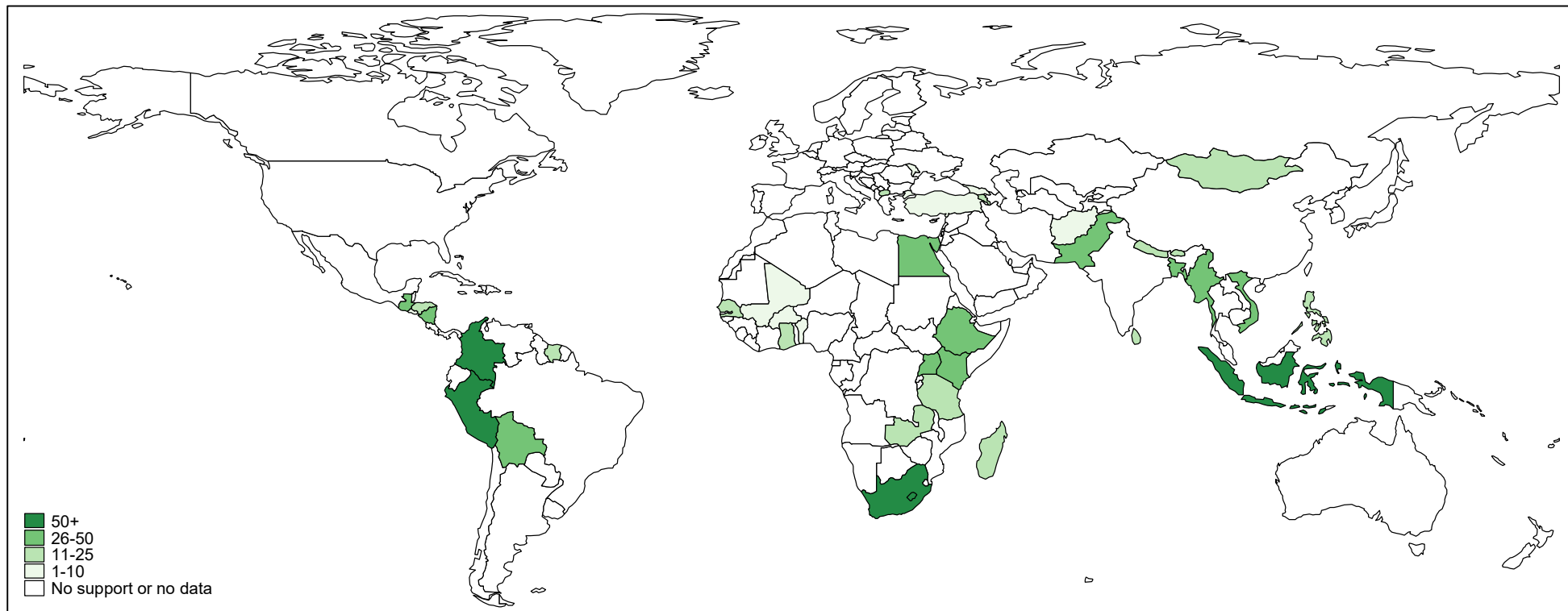


CBI supports more than 20 multi-year support programmes in a wide variety of sectors and countries. CBI's activities cover a wide range of programmes, which began in different time periods and target a range of sectors and regions. In total, the data in our analysis cover 23 programmes implemented between 2008 and 2014. Each programme targets a specific region and different sectors. The sectoral distribution of firms receiving support varies by year, depending on when the specific programmes started. CBI firms participate in different activities under each programme [e.g. related to export plan, CSR and trade fairs]. Participation is determined by the firms' needs and the sectors' needs.

CBI's support is concentrated in lower-middle income countries. Most CBI firms are based in Asia (35%), Latin American (29%), and sub-Saharan Africa (28%), while fewer firms are supported in the Middle East and North Africa and European countries. Most of CBI's support is concentrated in lower middle-income countries (45%) and upper middle-income countries (26%). Eighteen per cent of the firms receiving support are from least-developed countries (LDCs) and 12% are from low-income countries. The presence in least-developed and low-income countries may have two implications on the impact of CBI's support. The levels of business knowledge and

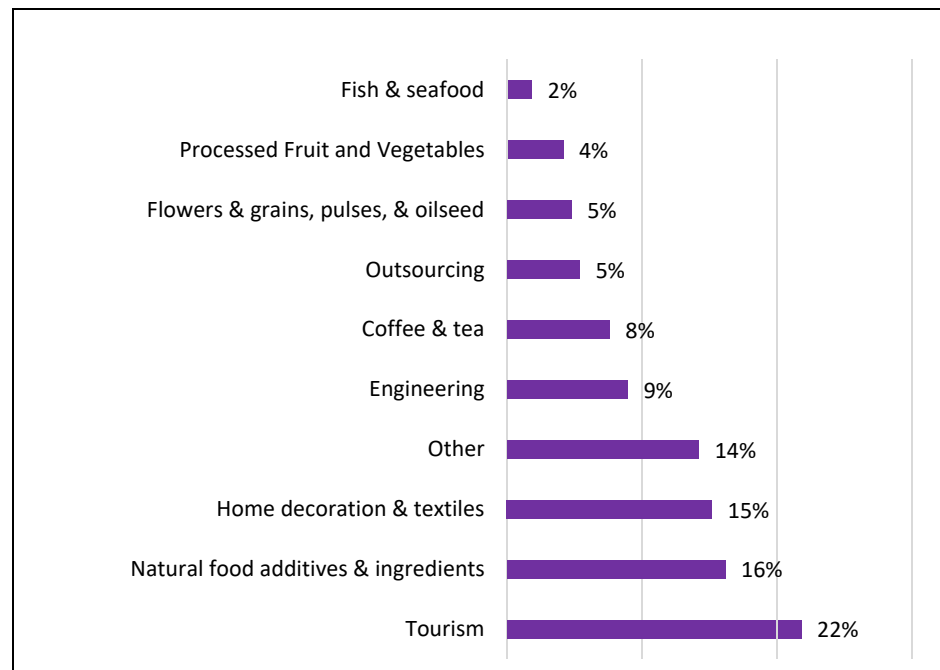
practices are generally lower in LDCs and low-income countries, which means there is more room for improvement: companies there are more likely to substantially improve their knowledge and practices due to CBI's support. On the other hand, investment climate conditions in LDCs and low-income countries are not favourable for expanding businesses, so therefore unfavourable investment climate conditions in LDCs may prevent CBI's impact pathway from knowledge to practices and investment and business growth from functioning properly.

Figure 2.2 The geographic distribution of SMEs supported by CBI, PRIME datasets.



CBI’s projects train and coach firms in a wide range of sectors. CBI operates in a wide range of sectors, with activities in tourism (22%), natural food & ingredients (16%) and home decoration & textiles (15%) being the largest sectoral clusters (Figure 2.3). CBI’s impact will differ between these sectors. For example, in manufacturing and agriculture firms, there is typically more scope to improve labour productivity, and substitute labour for capital. Therefore, CBI’s impact on employment creation might be higher in sectors where this is less likely, such as the service sectors (e.g. tourism).

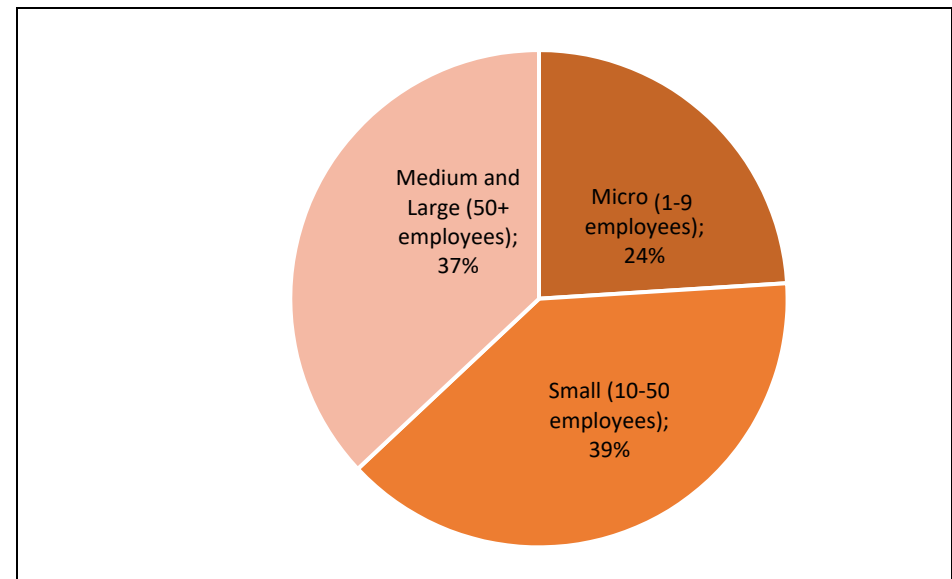
Figure 2.3 Sectoral distribution of CBI firms, PRIME data.



The majority of firms supported by CBI are small (10-50 employees).

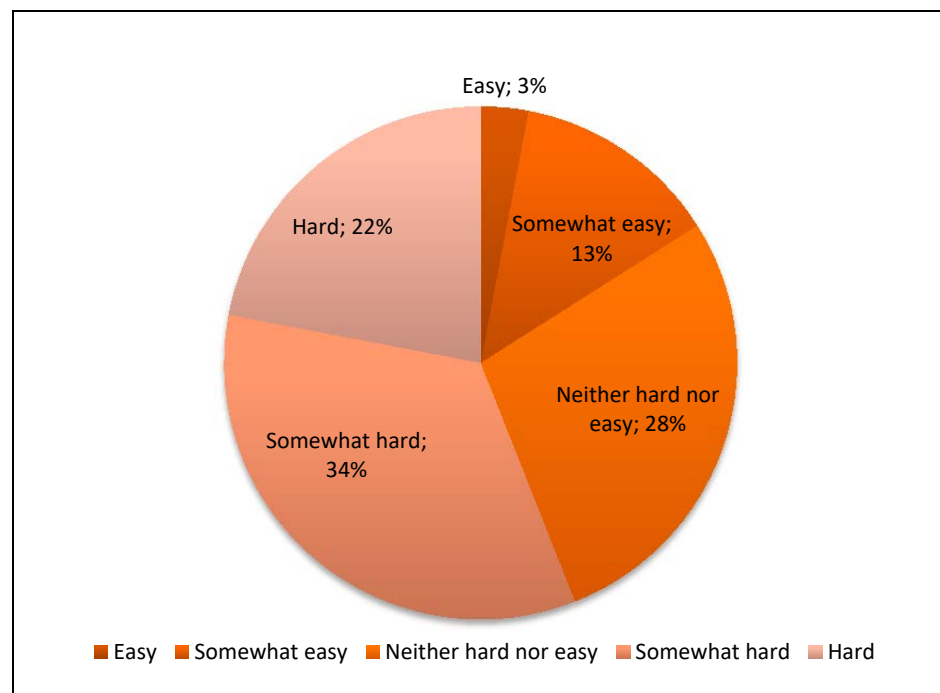
Most firms receiving support have between 10 and 50 employees (39%), with another 37% having more than 50 employees, and finally another 24% with fewer than 10 employees. Although the average CBI firm employs 141 people, most firms have fewer than 50 employees: the median CBI firm employs 37 workers. The size of a firm is an important characteristic to take into account when analysing the effect of private-sector support. In fact, the academic literature shows that larger firms, on average, have better business skills and may learn less but apply more of the advice.⁸⁹

Figure 2.4 Distribution of CBI firms by firm size, PRIME data.



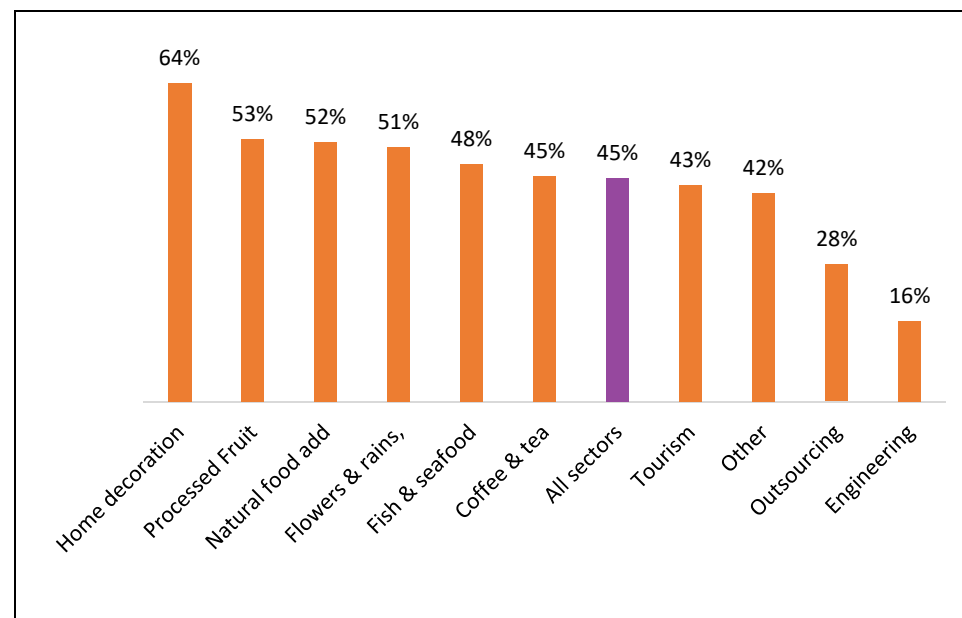
The implementation of some practices depends on the firm’s access to finance. Most firms report that it is either ‘not hard nor easy’ (28%), ‘somewhat hard’ (34%) or ‘hard’ (22%) to find access to finance. Only 16% of the firms report that it is easy or somewhat easy to access finance (see Figure 2.5). In particular, firms that do not have access to finance might find it challenging to invest and grow their businesses in line with export requirements.

Figure 2.5 Distribution of CBI firms by ease of access to finance, PRIME data.



The share of female employment varies among the sectors in which CBI operates. Female employment is quite equally distributed among CBI firms, where female employment is 45% of total employment. However, female employment varies in the different sectors that CBI operates in, perhaps due to sectoral, cultural and historical factors. For instance, the home decoration & textiles sector has the largest presence of female workers, and the outsourcing and engineering sectors have the lowest share of female employment among CBI sectors. The percentage of female employees varies from 53% to 42% in the other sectors.

Figure 2.6 Percentage of female employment by CBI sectors, PRIME data.



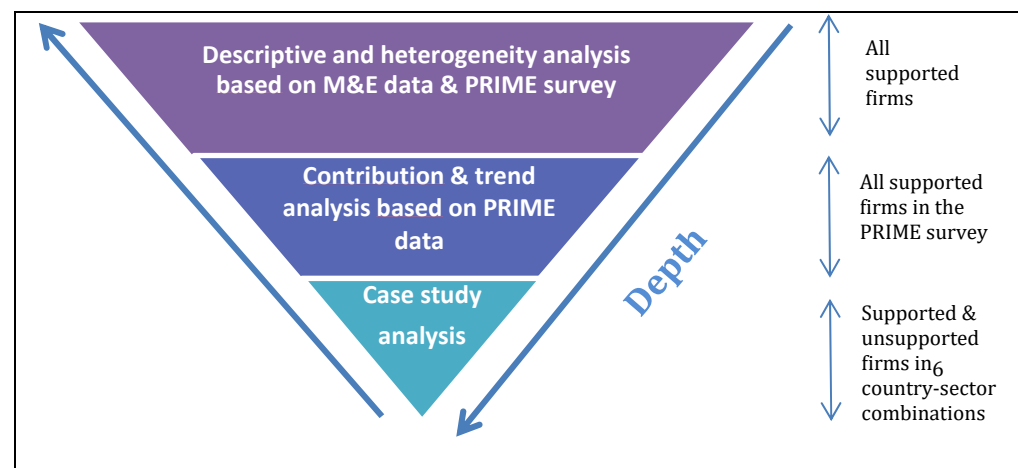
Chapter 3: Mixed method design for learning and accountability

To verify CBI’s contribution to sustainable economic development, we developed a mixed method design. This required us to specify and verify the main causal impact pathways that explain how a certain type of support activity is expected to effectively increase turnover, employment and sectoral innovation/upgrading processes. We used both quantitative and qualitative methods to verify these impact pathways. For the quantitative research, we used administrative data and yearly online surveys to companies and experts to assess the extent to which CBI’s support contributed to changes in the firm’s business practices.¹ Parallel to this, we conducted qualitative case studies in six countries. In these case studies, we held semi-structured interviews with CBI beneficiaries, experts and other key stakeholders. Most of these interviews were text-coded for use in the case study reports and the overall synthesis. Another qualitative component was the literature review on current evidence regarding SME support.

The mixed methods design enabled us to triangulate findings. The qualitative literature review was used to develop the quantitative online surveys and establish the focus of the case studies. Moreover, the qualitative literature review helped us to correlate the results to wider trends in private-sector development (PSD) and SME support. The qualitative case study material helped us to interpret the results from the quantitative administrative data and online surveys; the results of these quantitative and qualitative approaches enabled us to triangulate the findings, thereby strengthening the validity of the results.

The research components are nested. The three research components differ in scope and depth, to make sure the study captures the dynamics of programme implementation at the field level, while also ensuring that the study results are sufficiently representative.

Figure 3.1 Overview research methodology PRIME, for the CBI evaluation



¹ An extensive description of the quantitative research methodology can be found in [PRIME policy brief 3](#).

PRIME benefited from certified data collection by CBI. In 2015, CBI started to collect so-called ‘Certified Results’ data from firms that were involved in a CBI programme in 2015 and 2016. This data includes information about exports to the EU and non-EU countries as well as employment. In the certified data from 2015, firms provided information about employment and exports for the year 2014. In the certified data from 2016, information was also collected about some observed business practices (e.g. verification of financial statements and record keeping) as well as changes in profits. PRIME also benefited from CBI’s M&E system, which registered for each firm the business sector, starting year and final year of participation in the programme. PRIME was given information about 716 firms from the CBI certified data collection in 2015 and 791 firms from the CBI certified data collection in 2016.

In addition, PRIME (online) surveys were conducted in three rounds. Firms that were involved in CBI programmes in the last three years received an invitation to complete the online survey. The number of firms to respond to the PRIME surveys (see Figure 3.2) were 318 in Q1 2014, 369 in Q2 2016 and 348 in Q1 2017. The response rate for the Q1 2016 and Q1 2017 surveys were 52% and 40% respectively.

Figure 3.2 Distribution of respondents per survey round

Data source	Number of observations
CBI certified data 2015	716
CBI certified data 2016	791
PRIME survey 2014 Q4	318
PRIME survey 2016 Q1	369
PRIME survey 2017 Q1	348

There were three types of question in the online survey. The first type of question focused on *perceived knowledge and practices*, asking businesses to self-assess the change in their knowledge and practices in eight areas (see Figure 3.3). In addition, the businesses were asked about CBI’s contribution to these changes over the past 12 months.

Figure 3.3 Perceived knowledge and practices areas

1. Financial management	5. Quality requirements of (inter)national buyers,
2. Effects of the business on the environment	6. Ideas about new product & services
3. Marketing techniques to increase sales of your product or service	7. Leading, planning and organising the business
4. Ways to retain, motivate and train employees	8. Efficient ways of organising the production process or service delivery

The second domain of the online survey focused on *observed business practices* and included questions on 10 different business practices (see Figure 3.4).

Figure 3.4 Observed business practices

1. Financial statements verified by control outside the company	6. All employees have business contract
2. Keeping financial records through an external firm / specialised software	7. Systems and policies in place to monitor and ensure workers’ safety
3. Having a marketing plan	8. Systems to learn about the clients' opinions on its products and services
4. Having a business website	9. A documented quality assurance system
5. Having promotion materials	10. A system to monitor effects on the environment

Finally, the third element of the survey focused on *performance-related questions*. These questions focused on changes in profits compared to the previous year; total and female employment; and exports to EU and non-EU countries.

Information about business practices and performance was collected for 2014-2017 through certified results and CBI surveys making use of recall questions.

Figure 3.5 summarises annual information structure of the data collected through PRIME surveys and CBI certified results. Empty cells indicate that there is no information for the corresponding year and category. We have information about self-assessed (perceived) knowledge and practices from 2014, 2016 and 2017; about observed practices from 2014, 2015 and 2016; and about performance indicators from 2014,² 2015 and 2016. Information from 2015 for observed practices was collected through recall questions. Also, the information from 2014 for performance indicators was collected through recall questions.

Figure 3.5 Overview of data collection

Category/years	2014	2015	2016	2017
Knowledge and practices change (perceived)	X		X	X
Practices (observed)		X (recall)	X	X
Performance indicators (observed)	X (recall)	X	X	

In addition to the administrative data and the online surveys, PRIME did qualitative case study research in six different countries.³ These six cases reflect the diversity of the sectors and economic conditions in which CBI operates. Making use of interviews with beneficiaries, experts and other key stakeholders in the different sectors and countries, these case studies provide an understanding of the programme’s effects in terms of business knowledge, practices and firm performance. Furthermore, the case studies searched for contextual factors that shape the programme’s effects, and look at the additionality of CBI’s support to other programmes and donor activities. Figure 3.7 on the next page shows a map with the locations for the case studies and a brief description of each case study

² We do not have information about the change in profits compared to last year for 2014.

³ An overview of the case study reports can be found on <http://www.primepartnership.nl/countries/>. The methodology for the case studies is summarised in [this policy brief](#) and [this conceptual framework](#).

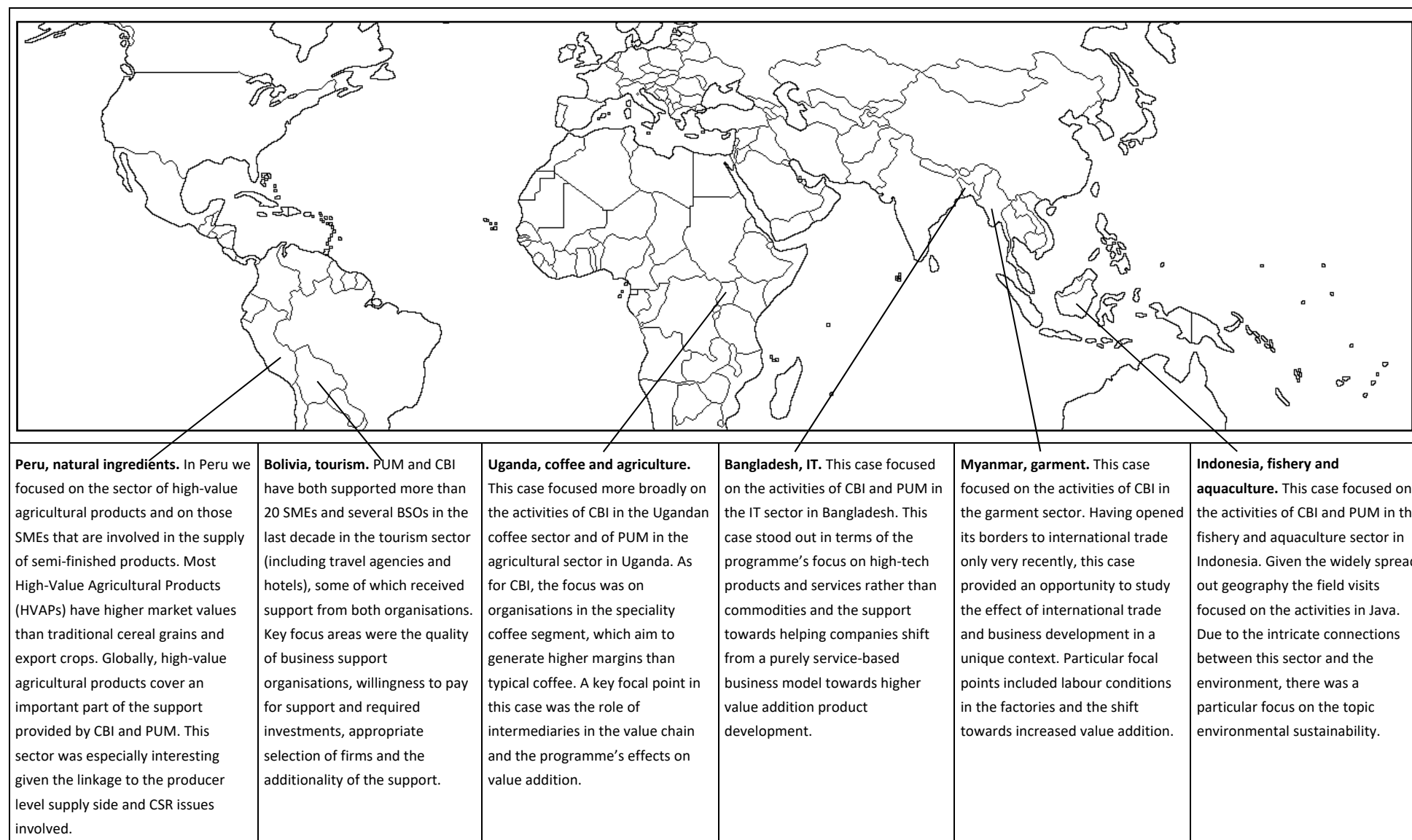
This report synthesises a wide variety of data collection and data analysis methods.

Based on the sources presented above, the following analyses were carried out to help answer the research questions regarding CBI’s contribution to improve SMEs’ business practices.

Figure 3.6 Data sources and types of analysis

Data source	Type of analysis
CBI certified results (and M&E system)	<ul style="list-style-type: none"> • Descriptive statistics for the programmes • Comparison of business performances (export) during different stages of the CBI programmes • Testing the relationship between contribution scores and business performance • Heterogeneity analysis with respect to sector and country
PRIME surveys	<ul style="list-style-type: none"> • Contribution scores based on self-assessment questions • Testing of contribution scores based on observable practices questions • Testing the relationship between contribution scores and business performance • Trend analysis through comparison of business performance from different stages of CBI programme
Literature review	<ul style="list-style-type: none"> • Qualitative review of the relevant literature available on private-sector and SME support
Interviews with SMEs, BSOs, external experts	<ul style="list-style-type: none"> • Transcription and interview summaries are text-coded using Atlas.ti software • Selection of illustrative examples and divergent cases to reflect the impact pathways • Exploratory, interpretative analysis of barriers to and enablers of effectiveness and additionality of the support

Figure 3.7 Overview of case study locations



PRIME determined contribution scores for eight areas of business management.

Contribution scores measure CBI’s contribution to knowledge and practices by using self-assessment data on CBI’s perceived impact on knowledge and practices in about eight different areas. Figure 3.8 below shows how the contribution scores were calculated based on two self-assessment questions. Through regression analysis, we tested whether a high contribution score is associated with higher exports, employment creation and profits.

Figure 3.8 Questions used to determine contribution scores

How has your company’s knowledge/practices changed over the past 12 months?	Has CBI influenced this change?	Rank CBI contribution	CBI contribution score, (0-100)
Strong decrease	-	0	0
Decrease	-	0	0
No change	-	0	0
Increase	No effect	0	0
Strong increase	No effect	0	0
Increase	Very little	1	13
Strong increase	Very little	2	25
Increase	Some	3	38
Strong increase	Some	4	50
Increase	Quite a bit	5	63
Strong increase	Quite a bit	6	75
Increase	A lot	7	88
Strong increase	A lot	8	100

Throughout the text, we interpret these contribution scores as follows:

- Contribution score=0: There is no increase in knowledge or no CBI contribution
- Contribution score 1-50: There is an increase in knowledge (practice) and CBI influenced this increase slightly or to some degree
- Contribution score 51-100: There is an increase in knowledge (practice) and CBI influenced the increase substantially or very substantially

The PRIME methodology anticipated several potential threats to the validity of the research design.

First of all, the observed differences in outcome of firms (e.g. sales trends) cannot be directly attributed to CBI’s support. Other exogenous variables – including prices, inflation and other economic and political circumstances – can influence outcomes such as SME/firm practices or profit. The PRIME method partially controls for these trends by including fixed year effects in the regression. Moreover, the observed differences in time may vary for firms with different sizes from different countries and sectors. Therefore, to control for these factors we used a regression that includes business size, sector, country, and start year of the programme, year, trust and risk behaviour of the SMEs. A second potential threat to validity is measurement error, especially recall bias. A recall bias can be present when there is a structural difference between the estimates of the outcomes in the present and the outcomes in the past. Under- or over-reporting the results in one of the years may paint an overly optimistic or overly pessimistic picture of CBI’s support. The PRIME methodology, however, makes it possible to compare a firm’s reporting in subsequent surveys and could consequently reduce the threat to validity related to recall bias.

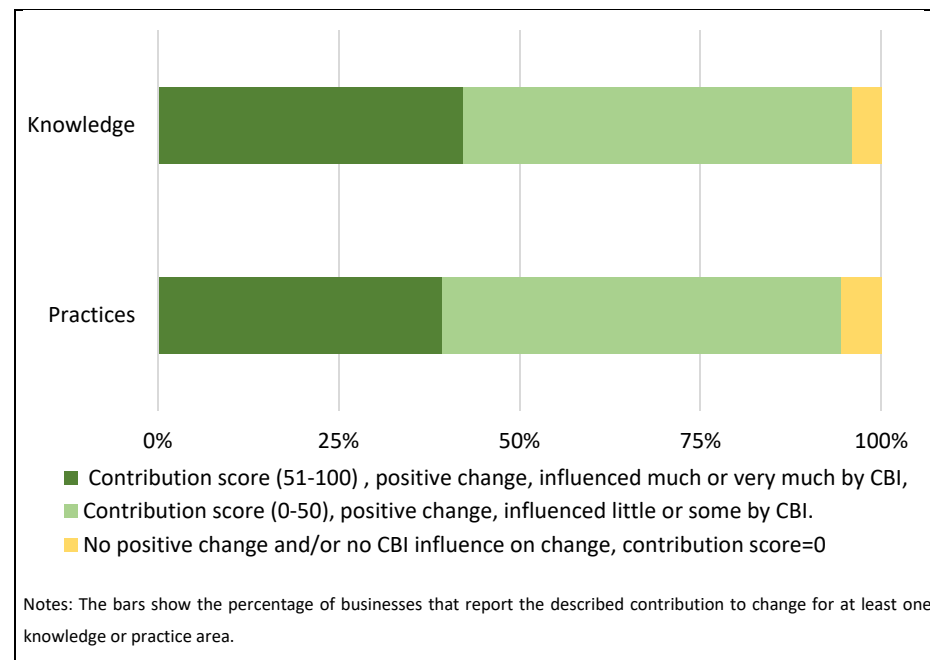
The PRIME methodology is robust but has its limitations.

No methodology is perfect. In the PRIME research we struggled with several inherent limitations. First, the estimation of the programme’s effects is based on data from participating firms and does not make a comparison with non-supported firms. Although we addressed this methodological challenge by accounting for pre-programme trends and using the variation in treatment intensity in the contribution score, we cannot discount the possibility that part of the estimated effect simply reflects growth that firms would have undergone anyway, in the absence of CBI’s support. Moreover, the firms that received support are not necessarily the type that would have benefited most from the support. Many of these firms already had well-established networks and considerable exports when the programme began. Finally, the research did not make a cost-efficiency assessment. Moreover, this cost-efficiency is highly conditional on the preferred outcome indicator, which is a normative, political decision.

Chapter 4: CBI’s contribution to SME knowledge and practices

CBI contributes to change in one or more knowledge areas and business practices in 96% of the businesses they support. Figure 4.1 shows CBI’s perceived average contribution to change in knowledge and practices over the past 12 months,⁴ calculated by taking the average eight contribution scores from eight knowledge and practice areas. Reflecting on changes that have taken place in the past 12 months in their firms, on average, 42% (39%) of these businesses report one or more positive changes in knowledge (practices), which was substantially or very substantially influenced by CBI, and 54% (52%) of these businesses report one or more positive change in knowledge (practices), which was influenced slightly or to some degree by CBI. The percentage of businesses that report no positive change in any knowledge or practice area and/or no CBI influence on change is only 4% (6%).⁵ This implies that CBI has contributed to some degree to at least one knowledge and practice area for about 96% of the businesses they supported over the past 12 months. Interestingly, the distribution of scores among each of the areas of business management is very similar (not statistically different) through the years. This reflects the robustness of the measure.

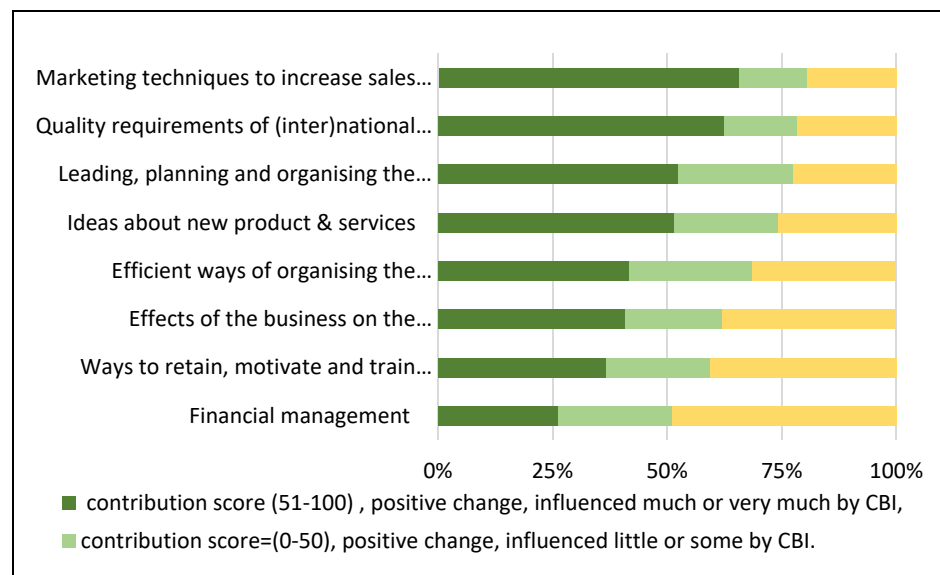
Figure 4.1 Average CBI contribution to change in knowledge and practices in at least one knowledge or practice area.



⁴ The information on CBI’s contribution to change in knowledge and practice areas are from three different surveys conducted in 2014, 2016 and 2017. We pooled data from all years for the analysis in figures 4.1 and 4.2.

⁵ Firms with no CBI influence on change in practices are homogeneously distributed over the different subsectors and countries.

Figure 4.2 CBI’s contribution to change in practices, by practice areas



The areas in which CBI contributes most are quality requirements and marketing techniques, reflecting the content of CBI’s programmes. The data shows that the emphasis in CBI’s programmes is on: 1) the transfer of knowledge related to marketing, 2) quality requirements of international buyers, and 3) the introduction of new products and services. Fewer effects are reported on the financial management, training of employees and the environment. We found that CBI’s contributions are more substantial in areas which CBI tends to focus most of their support on: the percentage of businesses that report a positive change in knowledge and practices with a substantial or very substantial influence by CBI is more than 60% for marketing techniques and quality requirements, but less than 25% for motivating and training employees and financial management. CBI thus contributed more substantially to marketing techniques and quality requirements than financial management and training employees, and this difference is statistically significant.

Firms particularly appreciate components such as networking at international trade fairs but also business-to-business visits to boost knowledge. The cases studies indicated that networking at international trade fairs was one of the most appreciated components in terms of helping firms boost their business knowledge. Especially in Bangladesh, Myanmar and Indonesia, the trade fairs were mentioned by several firms as a major platform for acquiring marketing knowledge.

‘I have a good network now. I have good links. I have been to Brussels three times in a row. Now I know which companies are good, which will be good customers for our products.’ (Indonesia – Aquaculture)

The effects could be more substantial if CBI did not focus only on exports to Europe. However, some respondents mentioned that firms had a preference for other fairs. For example, in Bangladesh the firms were more interested in national fairs, and in Bolivia the fairs in neighbouring countries (Brazil, Argentina) were considered more attractive to establish long-term commercial contacts.

‘[My organisation] discussed participation in the international fair with their members and they indicated that they considered the Latin American regional fairs and roadshows more important. Thus, I was not allowed to go any more. In these countries people have a direct flight and could come for a weekend or during mid-week. This market is far more important for the “Fast, frequent and cheaper” members.’ (Bolivia – Tourism)

‘CBI would also do well to focus on other exports markets. South Africa and Australia, for example.’ (CBI – Bangladesh)

For many firms, having to repeatedly pay for assistance at trade fairs was deemed an unfeasible business strategy due to the high cost–benefit ratio. The considerable initial investment in this marketing venue seems only feasible for firms that already have a client base in the EU or where the value of each EU order/client is relatively large, which is generally not the case in the sectors with relatively small firms, such as the tourism and the IT sectors in these countries. So while preparing for and assisting at international fairs may be effective for these smaller firms in terms of transferring knowledge, it is not likely to be a feasible business strategy in the long term.

‘Now it’s very expensive to go to trade fairs for us. [And] we can only use the information from the programme if we can visit trade fairs.’ (Uganda – Coffee)

Nevertheless, most firms highly appreciate participation in trade fairs. Indeed, not only are the trade fairs eye-openers, but so are the business-to-business visits.

‘Soil, cupping details, biochemical analysis, and geotagging all receive more attention now [...] They took us around to roasters. We walked around the exhibition grounds. We learned how they roast and package, what they expect.’ (Uganda – Coffee)

CBI’s activities help firms to network. The programme’s impact on knowledge is not limited to the specific content of the advice and training but is also a result of networking with other firms working in the sector.

‘Sometimes we don’t get information when we attend training on certain topics, but we get the information when I talk to the other companies in the programme. They often have the same problems as me. When we talk – that is another way to get market intelligence.’ (Indonesia Aquaculture & Fishery)

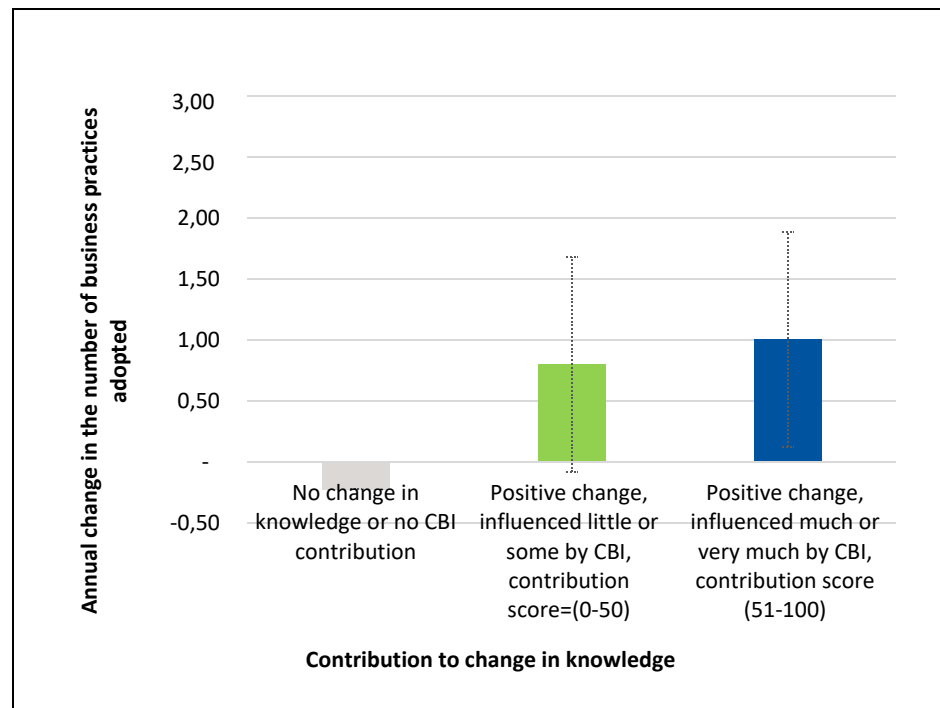
However, the information exchange is inevitably constrained as a result of competition between firms in the same sector.

‘If we see that CBI also invited a larger company (millions) to the fair, we do not go any more. It does not make sense, they will eat us up. This situation discourages smaller companies, because we both receive the same support, but the larger companies obtain more advantages and eat us up.’ (Peru – Natural ingredients)

There is a positive correlation between CBI’s perceived contribution to business knowledge and CBI’s perceived contribution to business practices. The distribution of CBI’s contribution to practices, presented in Figure 4.2, is very similar to CBI’s contribution to knowledge. Our additional correlation analyses show that the perceived contribution to change in knowledge and practices for each area is closely related,⁶ and this relationship is robust when access to finance, managerial trust and risk preferences, and fixed sector and the programme’s impact are kept constant through econometric analyses. These findings provide important evidence of the existence of an impact pathway from perceived changes in knowledge to changes in perceived practices, as shown in the theory of change.

⁶ The correlation coefficient is significant and bigger than 0.5 for each area.

Figure 4.3 The relationship between CBI’s contribution to change in knowledge over the past 12 months and the change in the number of proxy business practices adopted over the past 12 months, controlled for access to finance, risk, trust, year, project, country, sector fixed effects.



CBI’s perceived contribution to changes in SMEs’ level of knowledge is positively associated with the adoption of actual business practices among these SMEs.

The PRIME surveys ask businesses whether they have adopted any of 10 different business practices concerning financial management, marketing, quality, etc.⁷ We

⁷ These 10 business practices are: the company has statements verified by control outside the company by a certified auditor; the company keeps a financial record through an external firm or specialised software; the company has a marketing plan; the company has a business website; the company has promotional materials; all employees have a business contract; the company has systems and policies in place to monitor and ensure worker safety; the company

tested the correlation between the change in the number of actual business practices adopted by firms in a year, which is calculated by the answers to these questions, and the average CBI contribution scores for knowledge. We found that CBI’s contribution to the changes in knowledge is positively correlated to the amount of new business practices adopted in a year, after keeping access to finance, firm size, managerial trust, risk preferences, year (controlling for business cycles) and sector, programme, and country characteristics constant (Figure 4.3). The red line in the figure from the regression analysis shows that a positive change in practices was very substantially influenced by CBI (contribution score=100) and led to the adoption of more than 1-2 new practices.

The case studies provide many illustrative examples showing CBI's contribution to marketing practices but also indicate a contribution to overall business management and organisation. An important effect on business practices has to do with client communication:

‘...prompt delivery, also of the pre-shipment sample, turned out to be important. Moving fast is important, so they work with you and not with your competitor. Fast correspondence to maintain the relationship with the buyer is crucial. I respond to my e-mail every day now.’ (Uganda – Coffee)

Small enterprises often need a qualitative upgrade of their internal management or governance structure. For example, CBI has provided support to firms that needed to invest in highly skilled personnel. Some firm owners introduced mid-management, for example for better human resource management.

‘CBI helped me to recruit a manager. I never thought I would pay such high salaries for skilled people. But now I realise that it really helped me to let my company grow.’ (Bangladesh IT)

has a system to learn about the clients' opinions of its products and services; the company has a documented quality assurance system; and the company has a system to monitor the effects on the environment.

The CBI programme also helped firms improve their marketing process, for example by developing an informative website and making a showroom for displaying products to potential buyers:

'I created my own website so that buyers could find my products and styles. We are now redecorating this room into an actual showroom with samples of items that we have made in the past, to give buyers an impression of our skill and quality.' (Myanmar –Garments)

CBI's programmes are more successful in least-developed and low-income countries in sub-Saharan Africa (see Figure 4.5 below). These countries are all classified as least-developed or lower middle-income countries by the World Bank and the Organisation for Economic Co-operation and Development.

Among businesses of different sizes, the average contribution scores for practices are roughly the same. There are no significant differences in the average contribution scores for practices for micro businesses, small businesses and medium and large businesses. (Figure 4.6).

Among the sectors in which CBI programmes operate, CBI's contribution to practices is highest in the processed food and tourism programmes and lowest in the outsourcing programmes. The contribution scores among those programmes are significantly different from each other (Figure 4.7).

Figure 4.5 Perceived CBI (average) contribution on practices by country and contribution level

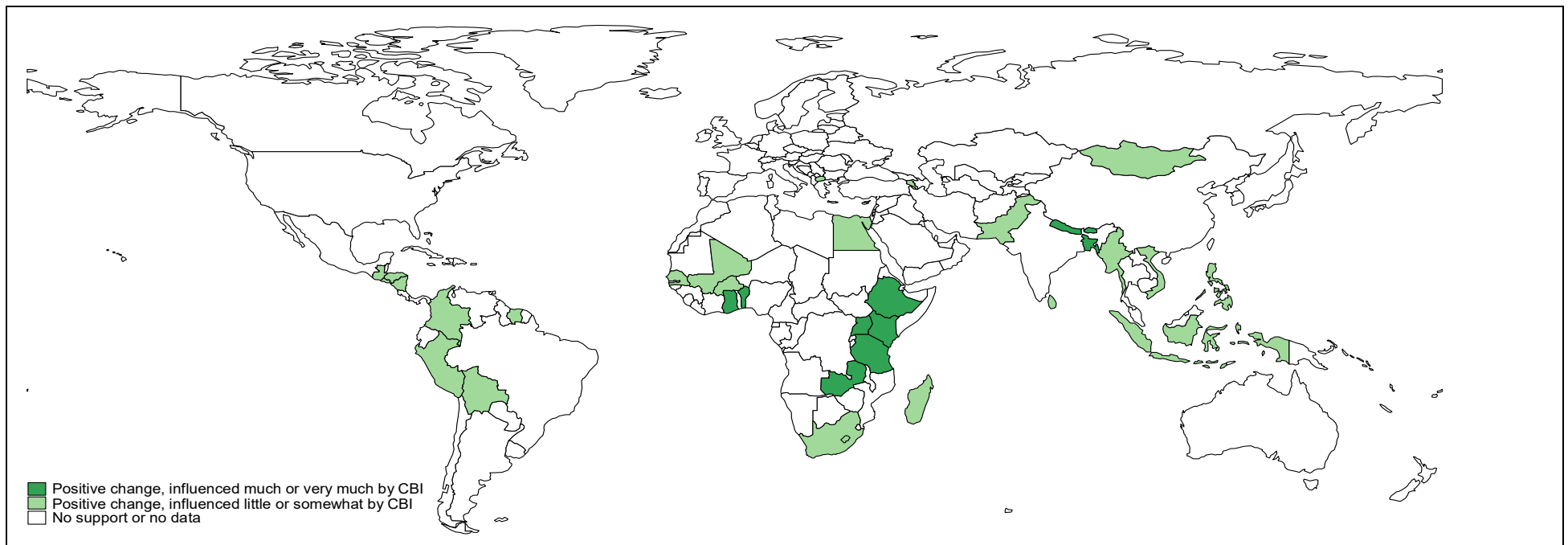


Figure 4.6 CBI's contribution to practices by business size (after keeping business country, sector and ease of access to finance constant at mean levels)

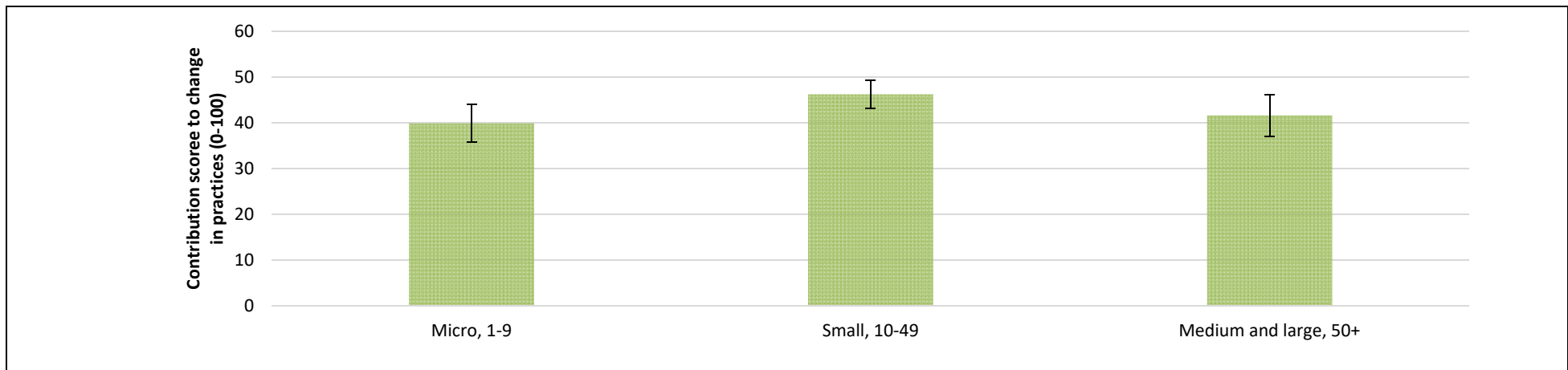
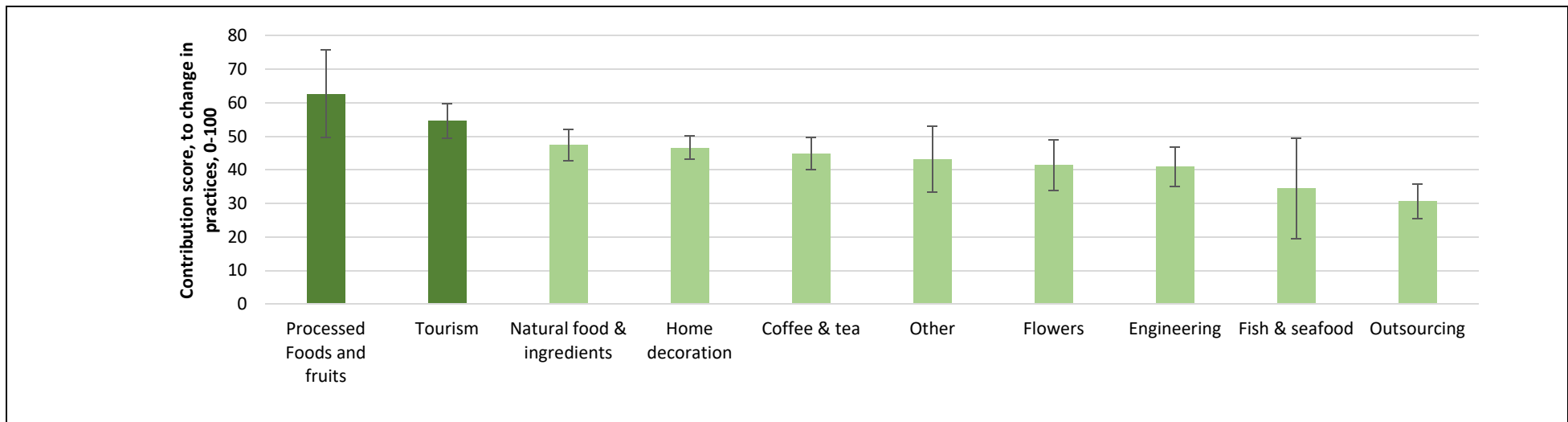


Figure 4.7 CBI's contribution to practices by sector (after keeping business country, size and ease of access to finance constant at mean levels)

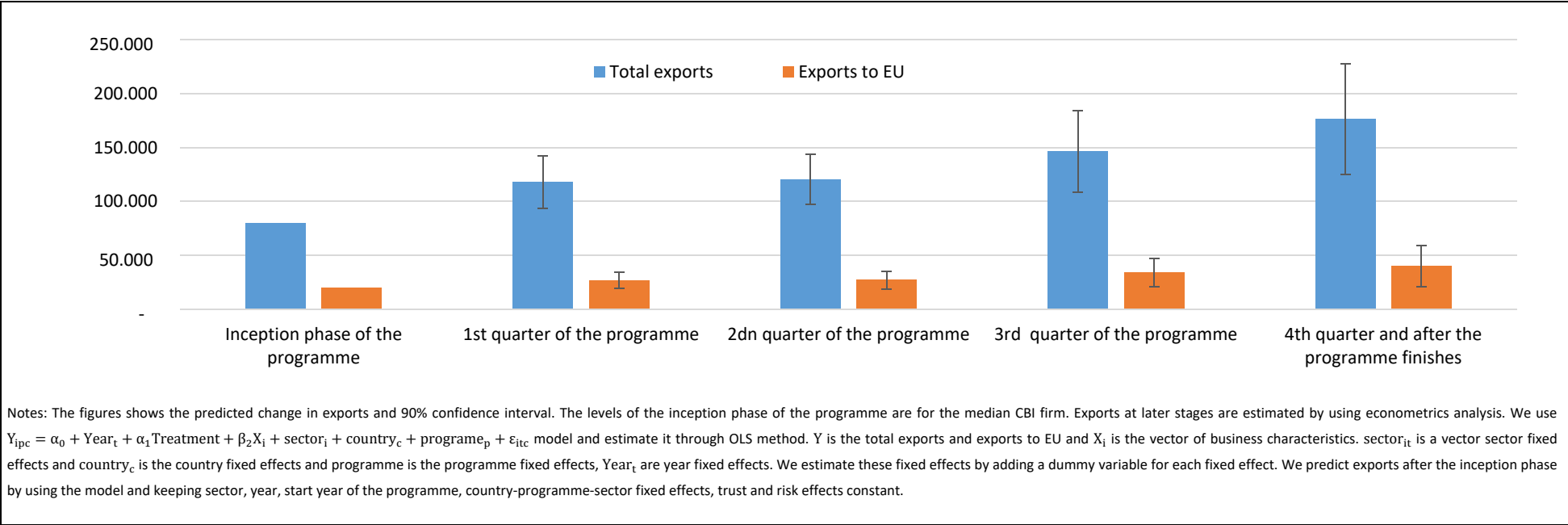


Chapter 5: CBI's contribution to SME performance

Exports of CBI firms have grown throughout the CBI programmes. There is a statistically significant and positive trend in the exports of firms supported by CBI, after keeping country, programme, sector, year, participation year in the programme, trust and risk behaviour constant in the regression (Figure 5.1). In the inception phase of the CBI programmes, the total value of overall exports and exports to EU countries

for a typical (median) CBI firm was about €80,000 and €20,000 respectively. In the fourth quarter of the programme the overall exports and exports to EU doubled compared to the inception phase of the programme, equivalent to a €96,000 increase in overall exports and a €20,000 increase in exports to the EU.

Figure 5.1 Predicted trends for the exports of median CBI firms, predicted values from regression analysis, in euros

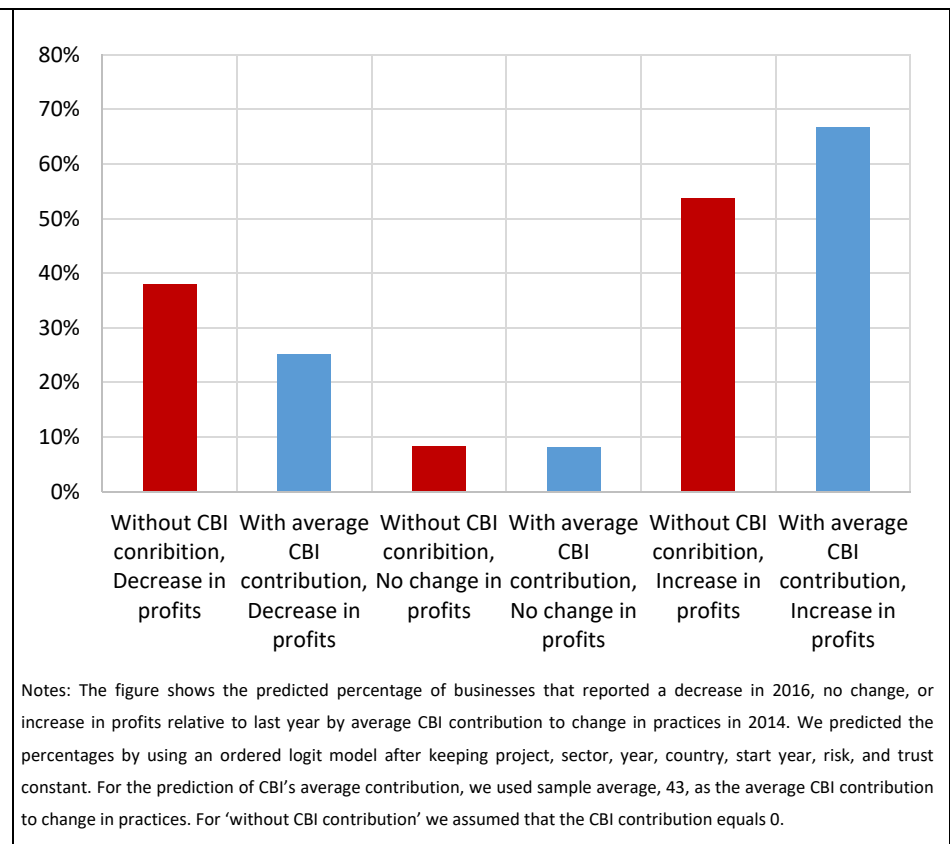
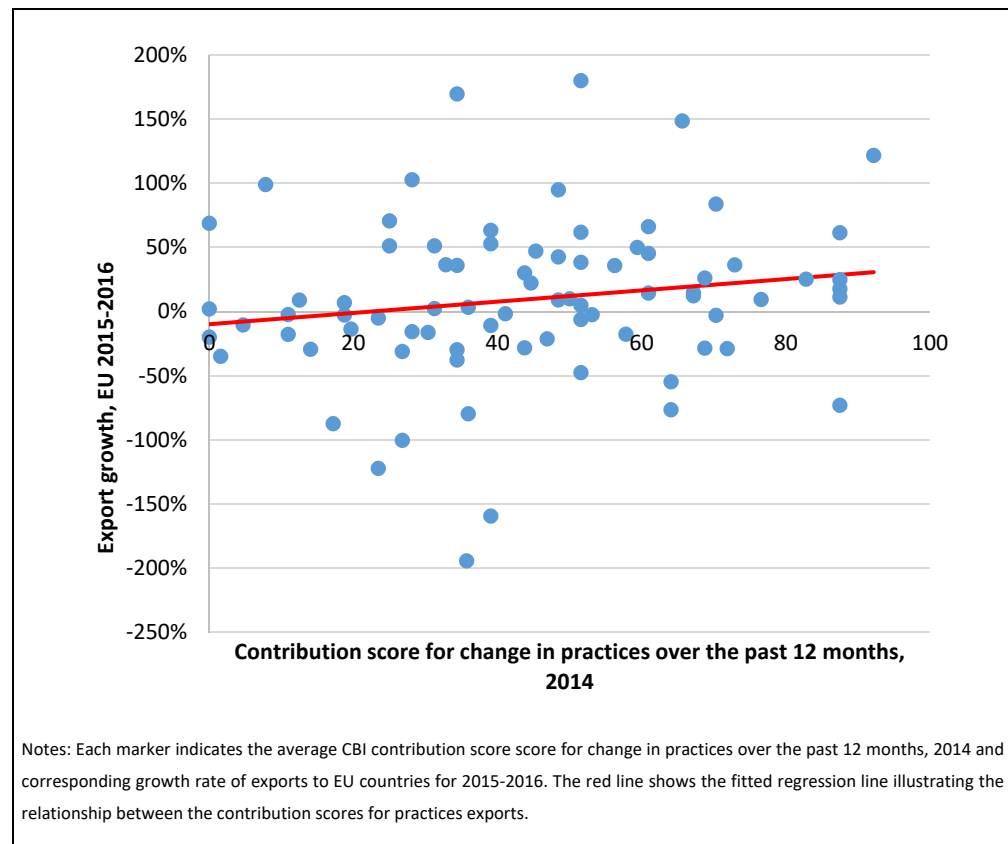


CBI's programmes have helped to increase exports to the EU and profits. CBI's average contribution to practices resulted in an increase of 18 percentage points in the growth of exports to EU countries (Figure 5.2). This represents an annual increase of about €9,300 in exports to EU countries due to CBI's support. This finding is robust

by keeping project, sector, year, country, participation year in the programme, risk, and trust characteristics constant through a regression analysis. The percentage of CBI firms reporting an increase in profits is 13% higher when CBI contributed to practices than when it did not (Figure 5.3).

Figure 5.2 Relationship between CBI contribution to change in practices and growth in exports to EU

Figure 5.3 Predicted percentages of businesses with changes in profits (2016) relative to last year and CBI's contribution to change in practices in 2014 for an average CBI firm, predicted percentages from econometric analysis

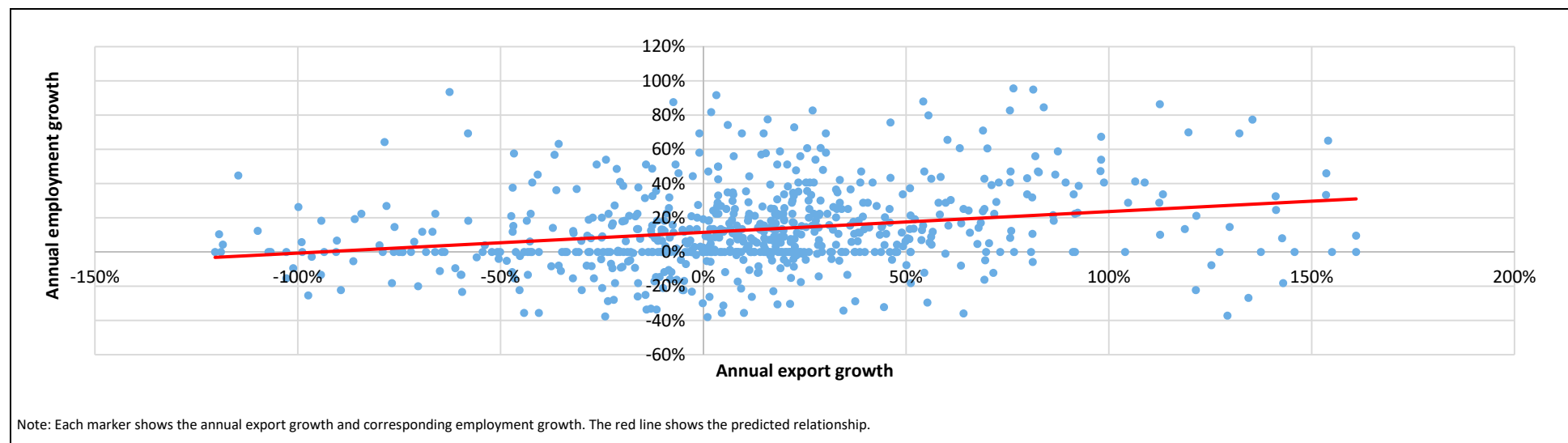


CBI firms with high export growth hire new employees, confirming CBI’s theory of change. Figure 5.4 illustrates the relationship between export and employment growth. According to this figure, an increase in export growth of ten percentage points leads to employment growth of about 12 percentage points. This employment growth equals 3 new employees for a typical median CBI firm that employs 30 employees. These results are robust when we keep country, programme, sector, year, participation year in the programme, trust and risk-taking behaviour constant in the regression. We also conducted two additional analyses: (1) to test whether the relationship between export and employment changes by (i) business size (micro, small, and medium and large enterprises) and (ii) proportion of female and male workers. The test for business size shows that the relationship between export and employment growth is stronger and only statistically significant for medium and large firms (employing more than 50 employees). Therefore we attribute the relationship

between export and employment to larger CBI firms. The test for female and male employment shows that there is no significant difference for the relationship between female and male employment and export growth. For most firms, this positive impact on employment is the indirect and longer-term effect of better business practices that are being adopted. However, some of the firms receiving support already attributed change in employment to CBI’s support. For example, one firm mentions:

‘Back in 2009 our company was almost bankrupt. The reason we are back on track now is largely because of CBI’s programme. Just compare: In 2009 we only had 120 employees. Now we are back to 500. Without CBI we wouldn’t have gotten here. We were dead in 2009.’ (Indonesia – Fishery)

Figure 5.4 Relationship between employment and export growth.



CBI's support activities are comparable in each sector, but the performance of the firms that received support varies widely by sector, business size and country characteristics.

Figure 5.6 compares total exports of firms in the home decoration & textiles sector, natural food additives & ingredients, and tourism sector, using an econometric analysis where we control for sector, year, start year of the programme, country-programme-sector, and trust levels. This is not a net effect of CBI's support but reflects the change in exports of the average firm during CBI's support. The findings should be considered weak evidence in support of CBI's assumption in the theory of change.

The increase in employment among firms receiving support from CBI is highest in the tourism sector. Throughout the CBI programme, exports significantly increased in the tourism sector, and this increase was higher than in the natural food additives and home decoration & textiles sectors.⁸ The better performance of CBI firms in the tourism sector resulted in a 50% increase in employment (about five employees for the median tourism sector firm) from the inception period to the fourth quarter of the CBI programme. However, we did not observe a statistically significant positive trend in the export in the natural food additives or home decoration & textiles sectors.

The increase in exports among firms supported by CBI is not significantly different among regions. Figure 4.6 also compares the export performance of firms from least-developed, low-income countries with firms from lower middle-income countries throughout CBI's programmes. In the fourth quarter of the CBI programmes, firms' exports increased by about €217,000 (128%) compared to the exports during the programme's inception period, and this increase is statistically significant. Firms from lower middle-income countries increased their exports by 97%; however, this increase is not statistically significant.

⁸ We focus on these sectors because we have a sufficient number of observations to conduct this analysis only for these sectors.

Figure 5.6 Exports during the inception phase and the fourth quarter of CBI's programmes by selected sectors, business size and country development level

	Sales in the inception phase of the programme, EUR	Estimated change from inception phase to 4th quarter of the programme ⁹
<i>Sectors</i>		
Home decoration & textiles	25,848	134%
Natural food ingredients	31,170	-145%
Tourism	204,807	53%*
<i>Business size</i>		
Micro (1-9 employees)	26,874	43%
Small (10-49 employees)	78,290	115%
Medium and large (50+ employees)	126,202	119%
<i>Country income group</i>		
Least developed & low income	170,000	128%*
Lower middle-income	28,576	97%

Notes: Column 1 reports the exports of the median CBI firm for the corresponding subgroup. Column 2 reports the change from inception phase to the programme's fourth quarter.

The averages conceal a wide heterogeneity of effects. We reviewed the export performance of all firms supported by CBI and found that some programmes had higher rates of success (reflected in the percentage of supported firms that increased exports). In most countries around 40% of the firms receiving support showed a decline in exports between 2014 and 2016, and, in Uganda and Indonesia, an even larger percentage saw their exports to the EU/EFTA decline. In spite of this, overall the absolute export value to both the EU and other countries increased during this period, mainly because some larger exporting firms had substantial growth in absolute terms (Figure 5.7).

⁹ We keep country, programme, sector, year, participation year to the programme, trust and risk behaviour constant to estimate the change.

Figure 5.7 Firms' export growth, per case

	Growth of EU exports (2014-2016)	Growth of total exports (2014- 2016)
Bangladesh – IT & outsourcing	7/10 = 70%	6/9 = 67%
Indonesia – Fish & aquaculture	5/ 9 = 56%	8/12 = 67%
Myanmar – Garments ^a	n.d.	n.d.
Uganda – Coffee & tea	4/10 = 40%	6/11 = 55%
Peru – Natural food ingredients	9/13 = 69%	9/16 = 56%
Bolivia – Tourism	5/12 = 42%	5/12 = 42%

a. Only 2016 export data available.

Chapter 6: CBI's contribution to BSO service delivery to SMEs

More than half of the CBI firms actively use the advice provided by BSO services. As of 2017, 66% percent of CBI firms work with BSOs and 58% of them actively use the advice provided by BSOs (Figure 6.1). The extent to which firms used this advice decreased from 2014-2017 by 6 and 11 percentage points respectively. CBI used to have a closer relationship with the BSOs at the start of an Export Coaching Programme (ECP) programme. The audits and business coaching are more directly linked with the supported firms.

The support provided by CBI experts is additional to this BSO support. On average, the firms consider the support provided by the CBI experts to be better than the

services provided by the BSOs. CBI experts work closely with the BSOs, but there is always room for improvement. Some BSOs indicated that they would like CBI experts to coordinate their activities more with them.

'The interventions could be more integrated and articulated; it can't be that the BSO does not know and does not have contact with the ECP-supported firms. CBI contacted them one by one without discussing it with us.'(Peru – Natural Ingredients)

Figure 6.1 Fraction of CBI firms working with BSOs and actively using the advice from BSOs

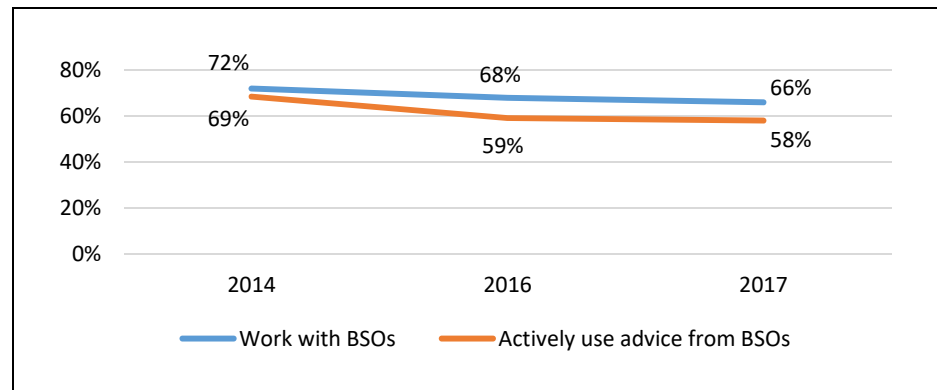
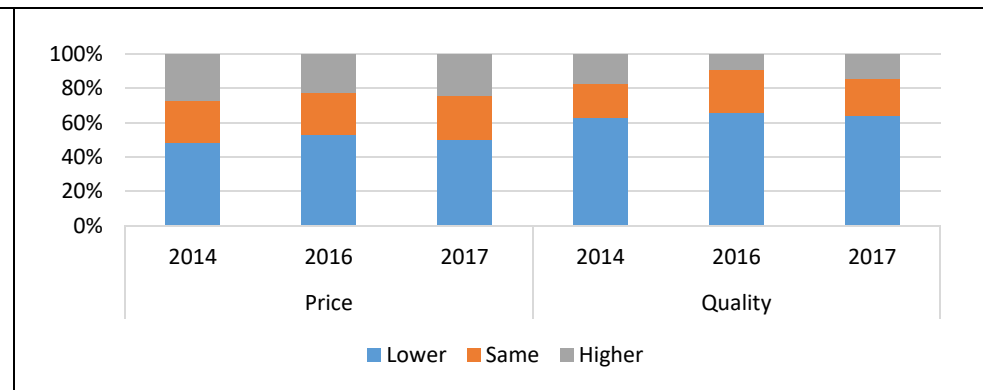


Figure 6.2 Percentages of firms that consider the quality and price of BSO services lower, the same or higher than CBI's services



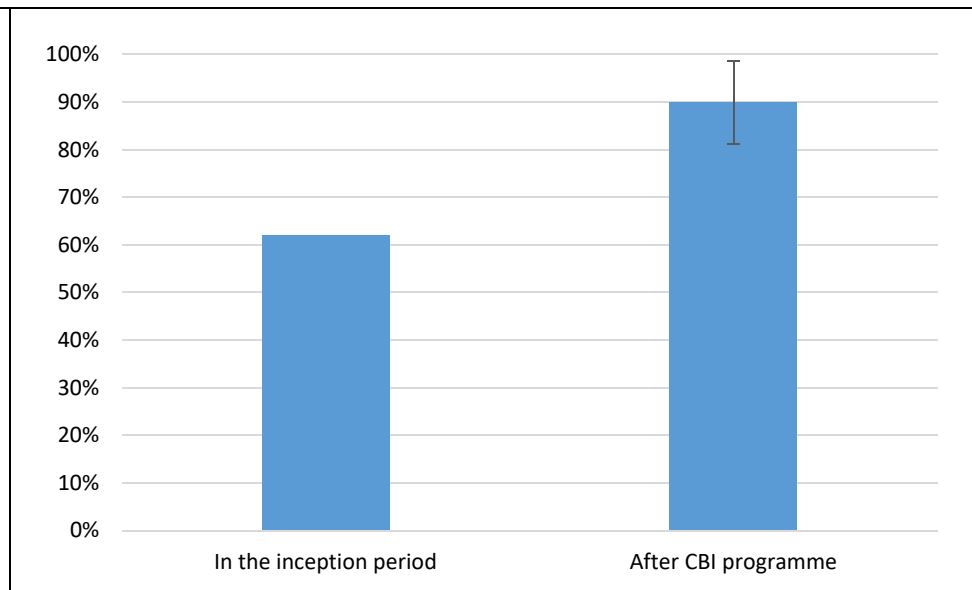
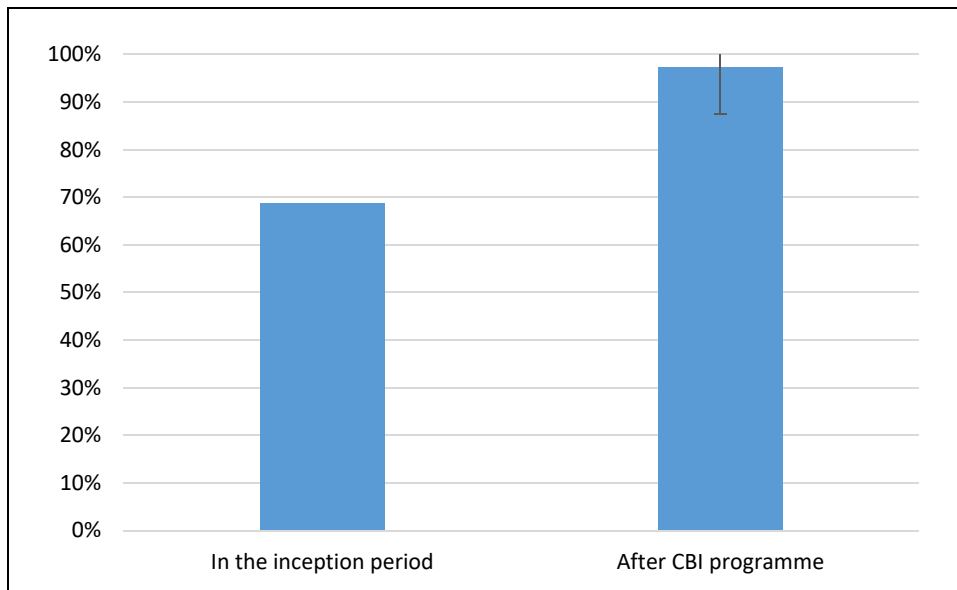
CBI’s support improves the firms’ use of business association services, but it does not change the price or quality perception of those services.

After completing a CBI programme, SMEs are more likely (38%) to work with sector associations and more likely (38%) to actively use the advice given by sector

association (Figure 6.3 and 6.4). These results are robust after we keep firm size, country region and income level, sector characteristics and year constant. However, there is no strong relationship between CBI’s support, and the quality and price perception about BSO services.

Figure 6.3 Percentages CBI firms actively working with BSOs; after keeping firm size, country region and income level, sector characteristics and year constant.

Figure 6.4 Percentages of CBI firms actively using BSO services; predicted values keeping firm size, country region and income level, sector characteristics and year constant.



Case study information confirms the importance of BSO services for SMEs. The main activities of the BSOs are often to change the enabling environment for firms in the medium term. The case studies suggest that especially in Bolivia and Myanmar CBI's support to BSOs was considered very important though without much direct impact yet on the firms' practices. In Bolivia, to boost tourism, there is a need for tours with multiple tourist sites in which multiple firms need to cooperate. This product development is a slow process that only will bear fruit in the future. In Myanmar, the emphasis on converting the CMT system (Cut-Make-Trim) in garments, where the buyer supplies all inputs, into an FOB system (Free-on-Board), where a domestic value chain delivers the needed material, implies that sector activities are important.

'CBI explained and discussed the principles of FOB production, but FOB is very risky, and Myanmar suppliers are not yet ready. A key factor is that basic information systems [in the firms] are lacking. (...) CBI does not train suppliers on the basics.' (International buyer, Myanmar Garments)

The knowledge on new value-added strategies, such as FOB, is clearly not sufficient for firms on its own, but the sector needs to be developed to enable them to apply this business strategy. Sometimes, CBI even set up a BSO itself. For example, in

Uganda, the firms supported by CBI tried to establish a sector organisation for specialty coffee. CBI's role can also backfire, however. In Uganda, the need for this specialised forum for coffee producers was contested by other established coffee organisations, which had governmental support. The relative isolation from other support made the sustainability of this new BSO uncertain.

In several cases, it was difficult to assess CBI's contributory role to improve BSOs' service provisioning. This is mainly because CBI was rarely the main supporter of these BSOs, and therefore its influence was less dominant. In some cases, however, CBI's support was more important for the BSO. In some countries, CBI had played a crucial role in the past, but played a less dominant role in the current programme. For example, in Bangladesh, the sector organisation had been strengthened by the support of CBI and ITC in an earlier phase. The expansion and improvement of BASIS's service delivery in the last years were especially related to support from other organisations (such as the World Bank) and the national government, and less the result of ITC-CBI support activities in their current programme. Also in Peru, PromPeru is a long-time partner of CBI and has a much wider base of support than CBI in developing services for firms.

Chapter 7: Enablers of effectiveness

The preceding chapters focused on CBI's average contribution to changes in firms' knowledge, practices and performance. These averages conceal a wide heterogeneity of effects, to a large extent context-dependent. Some conditions seem more enabling for larger effects, and some types of firm seem better suited to the support modalities used by CBI. Also, not all ECPs are implemented in the same way.

An important enabling condition for the effectiveness of CBI's support is the ability of the BSO to improve the business environment, and develop public sector policy and investments programmes. Some activities that could create added value for firms receiving support depend on wider changes in the sector, for example, in the tourism sector in Bolivia and the garment sector in Myanmar. In other cases, the role of the BSO was mainly to provide training and services, such as in Bangladesh in the IT sector, or to coordinate international trade information centres (Peru, natural ingredients).

BSOs that have also attracted clear public interest and support seem to be more effective partners. Most BSOs that CBI have worked with had a clear public mandate, or were public bodies, for example in Peru (PROMEX), Bolivia (local and regional governments) and Indonesia (Ministry of Fisheries). Some BSOs are organised around private partners only. This has disadvantages. For example, in the case of Uganda, the partnership with a local BSO and government agency was discontinued because the BSO was not responsive enough to the interests of the CBI beneficiaries:

'The government doesn't always support us: they see things as a project that will come and go, and they don't incorporate it. (...) The government sees the CBI programme as a purely private-sector project, and [therefore] they don't have the resources to support it.' (Uganda –Coffee)

In Bolivia, the BSO in tourism, which can be considered CBI's most successful partner, also indicates that its effectiveness is highly dependent on public sector involvement.

'With CBI's support OGD Tarija was able to consolidate itself as a public-private platform, able to attract support from other entities like the university. The OGD is better placed than three years ago, when the regional government had no intention of investing anything in tourism.' (Bolivia Tourism)

Also in Myanmar, an interviewee noted that CBI still worked in a bit of an isolated way and could coordinate more directly with public-private partnerships, like SMART Myanmar and the ministry.

'There is not a lot of discussion between CBI and MGMA. There could be more discussion; MGMA could inform CBI much more about the needs for factories and their situation.' (Myanmar –Garments)

However, as CBI does not have a local presence in Myanmar, its ability to attend meetings with these other BSOs and donor initiatives is limited.

The cases studies suggest that the contribution score is consistently higher in contexts where firms receiving support have lower baseline exports (Figure 7.1). The differences in the contribution scores correlate to the company's export volume at the start of the programme. While CBI's objective is to increase exports to the EU/EFTA market, previous experiences with exports to other areas is definitely an advantage. This apparent higher effectiveness of the support is due to the more substantial changes in business practices that new entrants to the export market are

required to make, whereas existing exporters (for example, to markets outside the EU) already have most of the business routines in place. For established exporters, the changes in business practices related to the EU's stricter quality requirements was most likely the main area of business management that responded to CBI's support.

Figure 7.1 Contribution score, per case

	Median exports (1,000\$)	Average contribution score for changed business practices
Bangladesh – IT & outsourcing	403	43
Indonesia – Fish & aquaculture	3,471	36
Myanmar – Garments ^a	300	46
Uganda – Coffee & tea	352	47
Peru – Natural food ingredients	513	35
Bolivia – Tourism	45	55

^a The contribution score is only available for a wider sector, also including home decoration & textiles

There is strong support for CBI's model of using high-quality experts that work for a longer period of time at a firm. In all case studies we found that firms were positive about the expertise and commitment of the CBI experts that did the audits.

'Other than [another sector support programme] CBI has the same experts throughout the programme, who really get to know your company and your unique challenges' (Myanmar – Garments)

Coordination with other organisations could be improved with a permanent local representation or locally-based consultant. CBI experts come only for a few days and with a full programme. This 'remote control' was flagged as a weakness in the CBI model in several interviews, especially for BSOs and government institutions that want to coordinate with CBI.

'It is a pity that CBI does not have permanent representation.' (Sector programme, Myanmar – Garments)

Another key enabler mentioned by firms receiving support was access to finance in order to change certain business practices. In many countries, firms indicated that it was quite challenging for them to obtain bank loans and/or investments, typically because the local financial system is fairly underdeveloped. As indicated by this firm:

'It's okay to advise someone how to do laundry, but if you don't have soap and water it's not much use. There should be funds available to use the tools that the expert suggests OR they should think of suggestions that fit the business means/resources so that you can use it.' (Uganda – Coffee)

Although many firms indicated that this access to finance remained a challenge, several CBI beneficiaries indicated CBI support had helped them to secure funding:

'We also face financial constraints, but we're trying to move on our own more. CBI inspired us to change the way we handled things. We are able to look for funding now based on the questions about our market potential that CBI helped us answer and the new insights we took from the programme. CBI gave us ideas about where to look for funding.' (Uganda – Coffee)

Most firms interviewed in the cases studies indicated that the local market for consultants did not offer persons with the same skills as the CBI experts had.

However, in Uganda, some firms indicated that they could source similar free support from other donors. Similarly, in Myanmar the support provided by the market to the garment industry so it can comply with the stricter quality requirements of the product and the working conditions of labourers makes CBI less unique. Even the industry's buyers (European brands) provide advice to them on these aspects.

Moreover, when firms needed to pay for an expert, most firms stated that they would not have the capacity/willingness to pay for it. Nevertheless, there seems to be room in several sectors for the deployment of local consultants that could follow up the CBI expert's advice. This would also help to address local issues.

'A local consultant [in addition to the international experts] would have been useful to get a local view and insight into the local sector.'

(Supported firm in Uganda – Coffee)

The spillover effects are highly case-specific and most clearly visible in agricultural processing firms. The agricultural processor and export sectors (for example in Peru and Uganda) obviously have an upstream effect regarding farmers' access to markets. Some processors are actively working with their suppliers, though, and due to competition with other buyers, there are limits to their willingness to invest in them.

'We do a lot of field work with the farmers. We invest in farmer field schools, and in the certification of crops. The problem we face is that after so much work sometimes the collectors come and make the farmers an offer to buy their production and they do not wait or earn a few cents more, they sell them and leave our company unsupplied.'

(Peru – Natural Ingredients)

The spillover effects from the tourism sector in Bolivia are mainly in the top-end of the food services and in the transport sector. The effect on local poverty alleviation appears modest at most, and the effect on rural areas, even on rural tourism development, is likely to be very small.

There are unlikely to be any spillover effects from business coaching to non-supported firms. Most firms indicate that they learn from other firms during CBI's activities but that this learning is constrained due to competition.

'No. Information is not shared by firms in the industry and the referral system [where firms refer clients to other firms in their network] is non-prevalent.' (Bangladesh –IT & outsourcing)

Except for Peru and Bolivia, we did not find many joint activities by CBI and PUM.

The appropriate target group for PUM experts seems to be in relatively smaller firms than in CBI, or in complementary sectors (e.g. PUM's support to restaurants and hotels and CBI's support to travel agencies). This complementarity seems the most likely form of synergy, and it could provide a model for the integral support of several of the Netherlands Enterprise Agency's instruments for sector programmes. This would also enable access to the complementary funding modalities needed to implement some of the business strategies (e.g. in FOB garment production, sustainable aquaculture, etc.). In Peru a firm mentioned the synergy of support:

'We learned about PUM through CBI's support. They recognised that there were technological flaws and therefore we needed specialised support. With PUM we were able to address our more technical problems and with CBI we work more on articulation to markets.' (Peru – Natural Ingredients)

CBI's work could have benefited from better data provisioning. PRIME helped to improve access to data at a more aggregated, programme level, but several challenges remain. A more streamlined system for monitoring data would help CBI to adapt better and improve its management. The main challenge remains inability to merge high-quality data due to a lack of business IDs coupled with data saved under several variants of a firm's business name.

Not all firms are able to benefit from the training sessions. Training sessions bring the supported firms together. This provides room for networking and mutual learning. However, sometimes the training content could target certain types of firms more effectively.

'We could not really learn from each other because they were all very different from us.' (Uganda –Coffee)

'CBI could rethink its selection process of participants and introduce a category system to provide target-specific support to start-ups, SMEs with extensive experience, etc.' (Bangladesh – IT & outsourcing)

Learning through experience might be enhanced with a more direct brokering of business deals. CBI has good information about what firms have to offer and the demand in the EU. Many firms have suggested that CBI might more actively support business-to-business links (e.g. [business matching](#) and brokering business deals) at international fairs.

Chapter 8: Conclusions

The intervention logic is consistent with the literature. The key assumption underlying CBI's approach is that its activities contribute to sustainable and inclusive economic growth by improving the performance of firms receiving support, especially by increasing exports to the European Union. This impact is created both by direct firm-level support and indirectly through the assistance of business service organisations, which in turn support local SMEs. We need evidence to support these claims.¹⁰ To verify this assumption, we need to be sure that the same growth would have been unlikely without CBI support. The academic literature largely commends the positive impact that business coaching and training are having on the firms' business practices, but it is less conclusive about the effects on firms' performance.^{11,12,13} Furthermore, the academic literature also provides useful insights about the effectiveness of so-called 'export promotion' interventions similar to CBI's. We now turn to the key findings from the literature and the PRIME research.

Export promotion interventions improve firms' economic performance. Studies comparing the export performance of different countries find that the presence of export promotion agencies is associated with a higher volume of exports, and that this positive effect is particularly significant for countries with a limited pre-existing capacity for export promotion.¹⁴ Other observational studies have found similar positive effects of trade promotion activities.^{15,16} Another study conducted a randomised experiment with rug producers in Egypt to help firms access foreign markets.¹⁷ This study found that these firms 'report 16–26% higher profits and exhibit large improvements in quality alongside reductions in output per hour relative to control firms'. In addition, it found that these positive effects are not only the results of higher profit margins for exports, but that they also reflect the fact that the process of exporting contributes to knowledge transfer. That, in turn, helps firms to learn about product quality, which benefits their performance. To summarise, the

academic literature suggests that export promotion activities have significant potential.

CBI has generated positive changes in terms of the firms' knowledge and business practices. The contribution scores, which we computed based on the changes in the firm and the influence of CBI on these changes, show that, among the vast majority of SMEs receiving support, CBI has helped to improve knowledge and practices in at least some knowledge and practice areas. Consequently, better knowledge leads these SMEs to adopt better business practices. The areas in which CBI has made the most substantial contributions in terms of knowledge and practices are quality requirements and marketing techniques, which reflects the content of the CBI programmes. The case studies confirm CBI's contribution to marketing practices but also indicate a contribution to overall business management and organisation.

CBI's support has a positive effect on firms' exports and profits. The analysis of CBI certified results indicates that the exports of CBI firms have increased throughout CBI's programmes. Furthermore, CBI's impact on exports to the EU are particularly significant for firms that perceive CBI's support as having contributed to their knowledge and business practices. These results support the assumption that firms' performances are promoted by the pathway of enhanced knowledge and business practices. To summarise, our results strengthen the assumption that CBI's activities help firms to increase their exports.

Export growth leads to employment growth. CBI firms with higher export growth have significantly higher employment growth. However, this effect is very heterogeneous and will need time to mature in most firms in response to the new business strategies that are being piloted by the firms. This result is in line with

previous findings which indicate, for example, that the impact on employment typically occurs later in time.¹⁸

CBI's impact differs between firms and countries. CBI's programmes are more successful in least-developed and low-income countries in sub-Saharan Africa. This finding corresponds with the fact that firms in less-developed countries typically have lower levels of business knowledge and practices to start with, so the marginal benefits of CBI's support are greater there.

Participation in trade fairs is not necessarily the appropriate modality to support smaller firms. The PRIME research shows that many smaller firms are definitely not able to continue their participation in international trade fairs without grant support, while a good preparation for and continued presence in these fairs is considered by all as a necessary condition for effectiveness for this type of support. CBI's effectiveness could be improved with a more segmented and targeted offer of support activities.

CBI has a positive impact on BSOs' service delivery. The selection of firms by CBI in the first year, in coordination with BSOs, explains the relatively high use of BSO services in that year. It is likely that some of these services (training) are one-off activities offered annually by the BSO to different cohorts of firms. More than half of CBI firms actively use the advice through BSO services. There are no differences in the

sectors in which CBI operates in the use of BSO services, and the use of these services tends to increase by business size. Case study information confirms the importance of BSO support. The effects of BSO support in improving the business climate will generally have indirect effects on how SMEs perform.

CBI's support is additional to existing support. Generally, the level of expertise offered by CBI experts is unavailable in the local market. Supplying companies (e.g. fashion brands in Myanmar) can provide support in some areas. However, most of the information about markets and EU requirements needs permanent updating of expertise, which is one of CBI's stronger points as an organisation that operates worldwide. The support provided by the BSOs is generally of a different order. The PRIME research indicates that most firms consider the quality of CBI's support to be higher than that of the services provided by the BSOs. This confirms the value of CBI's direct support to SMEs and also indicates the continued need to increase the BSOs' capacity.

All firms stand to benefit from in-country training and coaching, but larger firms mainly benefit from participating in international trade fairs. Business coaching, using the audit tool and requiring a written export management plan, are widely appreciated as effective ways of improving business management. The firms appreciated training for and participating in international trade fairs, but small firms struggle to participate in these fairs because they face financial challenges.

Chapter 9: Recommendations

This chapter provides recommendations for CBI in three different areas.

The PRIME research partnership has assisted CBI in assessing its support to SMEs and BSOs, exploring the conditions that help or constrain that support, and exploring for what type of firm this support is most effective. This chapter provides recommendations for CBI in four different areas: (1) recommendations on how to improve the focus and design of CBI's activities; (2) proposals on how to improve the effectiveness of CBI's missions in contributing to their intended outcomes and impacts and (3) suggestions on how to further improve CBI's monitoring system by including elements that might further strengthen CBI's impact evidence and learning capacity.

First, while CBI's support activities to SMEs and BSOs are generally effective, the design of some of CBI's activities could still be improved to increase their impact.

The results show that CBI has good information about what firms have to offer and what the demand is in the EU. Many companies suggest that CBI might be more active in brokering business-to-business deals in international fairs. While the training for and participation in international trade fairs is appreciated, the results of this study indicate that small firms have to overcome financial challenges to participate in these fairs. CBI is encouraged to further expand its current activities to increase access to finance for small SMEs in order to benefit from the international trade fairs. Some respondents indicated that they see a lot of potential in markets other than the EU market. CBI could consider lending their support to the preparation for and participation in national and regional fairs, not only European fairs.

The long-term support of CBI experts to improve the knowledge and practices of SMEs is highly appreciated; segmentation and web-based approaches could further improve the cost-effectiveness of this knowledge transfer. In all case studies we

found that firms were positive about the expertise and commitment of the CBI experts that did the audits. CBI studies indicate that there is strong support for the continuation of its model of using high-quality experts that work for a more extended period with a firm and get to know them well. The results show that many smaller firms are definitely not able to continue their participation in international trade fairs without grant support, while a good preparation for and continued presence in these fairs is considered by all as a necessary condition for effectiveness for this type of support. CBI's effectiveness could possibly be improved with a more segmented and targeted offer of training to firms with similar conditions or problems. Also, CBI could explore whether complementing its current activities with more a web-based approach of knowledge transfer could reduce the costs of its activities and increase their accessibility.

Second, CBI might increase its effectiveness by focusing on those countries, sectors, companies and markets with the highest export potential. The performance of the firms that received support varies widely by sector, business size and country characteristics. In programme development, CBI should always take into consideration whether a certain sector or a certain country has sufficient export potential. For example, the results show that CBI's programmes are most successful in least-developed and low-income countries and in the tourism sector. Moreover, in the company selection phase, more attention could be paid to the question of whether a company is big enough (in terms of production, turnover, finance) to realise transformation of exports to employment. Finally, while CBI focuses on exports to the EU, for SMEs this is often only a small market segment. From a developmental perspective, CBI could consider supporting SME's exports to non-EU countries, which might offer a more resilient business strategy.

Moreover, CBI could become more effective in contributing to employment by investing in sectors and larger business with high employment potential. CBI firms with high export growth hire new employees, confirming CBI's theory of change. The test for business size shows that the relationship between export and employment growth is stronger and only statistically significant for medium and large firms (employing more than 50 employees). The increase in employment among firms receiving support from CBI is highest in the tourism sector. CBI could therefore consider investing more in sectors and larger business for which the relation between export growth and employment is strongest. Finally, CBI could support more employment of women by choosing for certain sectors in which more women are employed.

Furthermore, CBI could amplify its impact by increasing the spill-over effects of its activities and creating economies of scale by investing in collective representation. CBI's spill-over effects are highly case-specific and most clearly visible in agricultural processing firms. The agricultural processor and export sectors (for example in Peru and Uganda) obviously have an upstream effect regarding farmers' access to markets. CBI could therefore consider to invest more in the quality and business performance of suppliers (outside the focus on exporting SMEs) and include all indirect export effects in its reporting, thereby contributing more to the local private sector. Finally, small firms are struggling to participate in these fairs because they face financial challenges. By investing in export consortia and collective representation of small firms CBI could bring down the costs per company.

While CBI improves the use of BSO services, more could be done to improve the quality of these services. The results show that CBI contributes to a higher uptake of BSO services by local SMEs but that there is little information about the quality improvement of services. Meanwhile the research does stress the importance of investing in this export-enabling environment, for example in terms of sustainability. While there is already more attention for structurally improved (export-related) service provision by BSOs in terms of sustainability, sharp goals in projects and good KPIs to measure progress are needed to monitor the impact of these activities.

Increased cooperation with the local public sector and other Dutch development organizations could create opportunities for more effective support of SMEs.

An important enabling condition for the effectiveness of CBI's support is the ability of CBI to improve the business environment. CBI could therefore benefit from increased cooperation with local public sector agencies (such as export promotion boards) to match its support to locally available programmes and services. Except for Peru and Bolivia, the case studies found little evidence of joint activities by CBI and other Dutch development organisations, such as PUM. To coordinate their activities in the field, it would be good if CBI experts have regular meetings with the PUM representatives and other (Dutch) development organisations working in the same sector.

Finally, increasing SME's access to finance proves to be a key enabler of CBI's effectiveness. A key enabler mentioned by firms receiving support was access to finance in order to change certain business practices. In many countries, firms indicated that it was quite challenging for them to obtain finance, typically because the local financial system is fairly underdeveloped. In the programme development phase, more attention could be paid to whether there is sufficient access to finance for companies to be able to do the necessary investments. Access to finance should be more central and be an obligatory part of the analysis of export value chains.

Third, adjustments to CBI's monitoring system could improve the organisation's capability to measure impact and use monitoring for strategic decisions. For example, CBI could show better in its KPIs that programmes helped to improve business performance and management. CBI should continue to collect data through certified results surveys, and extend those surveys by asking questions about business knowledge and practices. Intake forms that CBI firms fill in before the start of CBI's programmes should include the same questions. Moreover, CBI would benefit from periodically updating its systems with all of the information that programme managers, experts, and local consultants collect from the supported firms to monitor their performance in each programme. To better understand the medium-term impact of its programmes, CBI could consider measuring the performance of firms after the programme ends.

Regular communication and attractive outputs can help to fuel strategic decisions, while creating ownership of the data collection process within the organisation. The experience of PRIME shows that regular communication about the findings from the collected data in the form of meetings, workshops and ‘sense-making’ sessions is needed to make it relevant for strategic decisions. Especially the form in which data is presented – preferably concise and attractive rather than academic – is important for the degree to which findings are taken up. Finally, regular and attractive communication about the findings from CBI’s monitoring system – not only among staff but also among experts and local representatives – will help to create the necessary ownership for collecting impact data on a regular basis.

CBI could benefit from using evidence-based pilot projects to test novel approaches to its activities. For example, in relation to its ambition to increase impact on CSR-related outcomes by testing different approaches to support or select firms. Another example could be to use pilot projects to compare the cost-effectiveness of different ways of bringing knowledge to SMEs, for example for comparing digital knowledge exchange with face-to-face knowledge transfer. What is crucial here is to consider evidence-based pilot projects not just for accountability purposes, but as a useful tool to improve the organisation’s overall effectiveness.

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